State of the Debate

ABORIGINAL COMMUNITIES AND NON-RENEWABLE RESOURCE DEVELOPMENT

National Round Table
on the Environment
and the Economy

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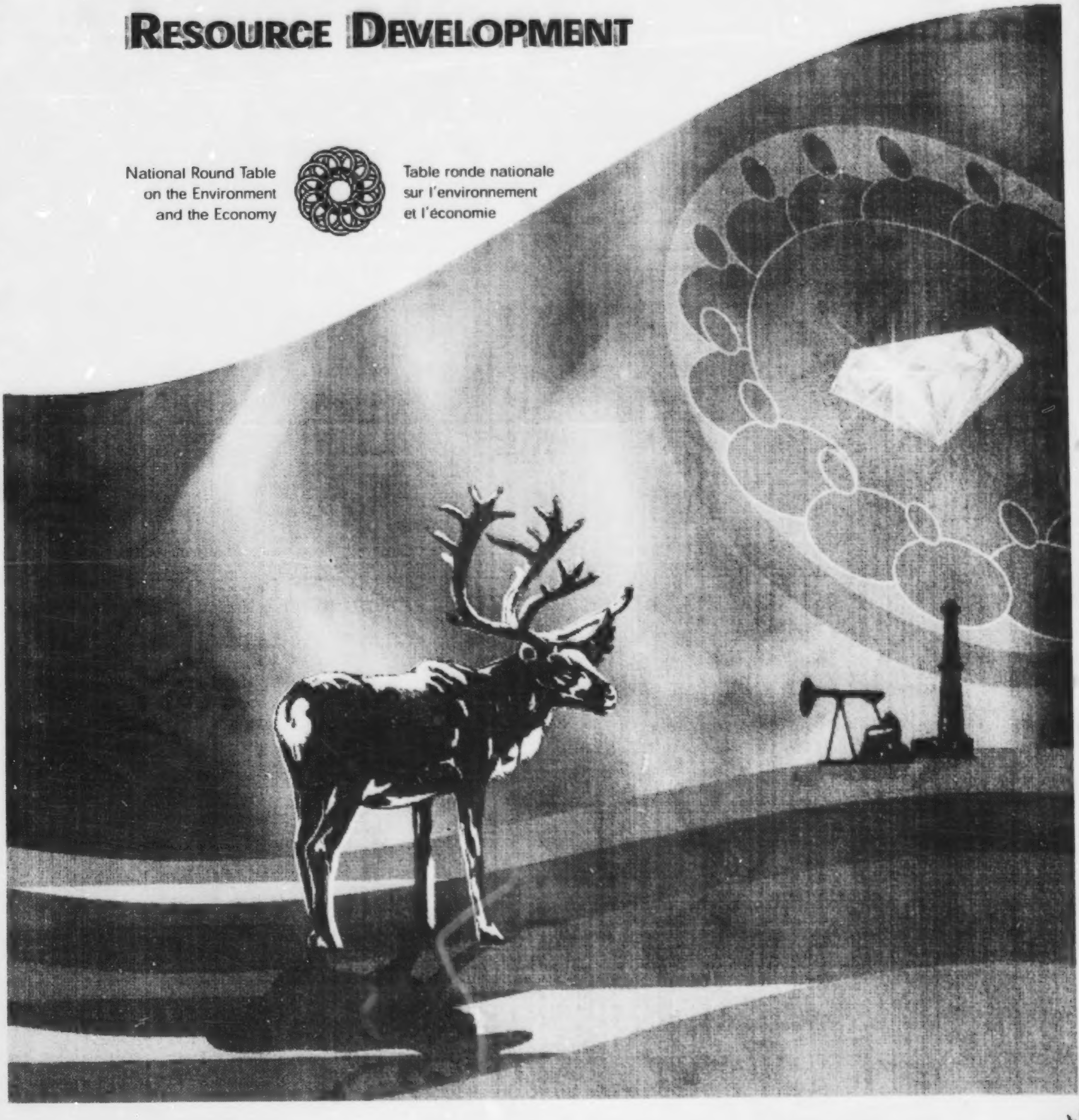

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Mandate

The National Round Table on the Environment and the Economy (NRTEE) was created to "play the role of catalyst in identifying, explaining and promoting, in all sectors of Canadian society and in all regions of Canada, principles and practices of sustainable development." Specifically, the agency identifies issues that have both environmental and economic implications, explores these implications, and attempts to identify actions that will balance economic prosperity with environmental preservation.

At the heart of the NRTEE's work is a commitment to improve the quality of economic and environmental policy development by providing decision makers with the information they need to make reasoned choices on a sustainable future for Canada. The agency seeks to carry out its mandate by:

- advising decision makers and opinion leaders on the best way to integrate environmental and economic considerations into decision making;
- actively seeking input from stakeholders with a vested interest in any particular issue and providing a neutral meeting ground where they can work to resolve issues and overcome barriers to sustainable development;
- analysing environmental and economic facts to identify changes that will enhance sustainability in Canada; and
- using the products of research, analysis and national consultation to come to a conclusion on the state of the debate on the environment and the economy.

The NRTEE's state of the debate reports synthesize the results of stakeholder consultations on potential opportunities for sustainable development. They summarize the extent of consensus and reasons for disagreement, review the consequences of action or inaction, and recommend steps specific stakeholders can take to promote sustainability.

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12	Kevin O'Reilly, Research Director, CARC
16	Siobhan Arnott, Policy Advisor, NRTEE
23	Siobhan Arnott, Policy Advisor, NRTEE
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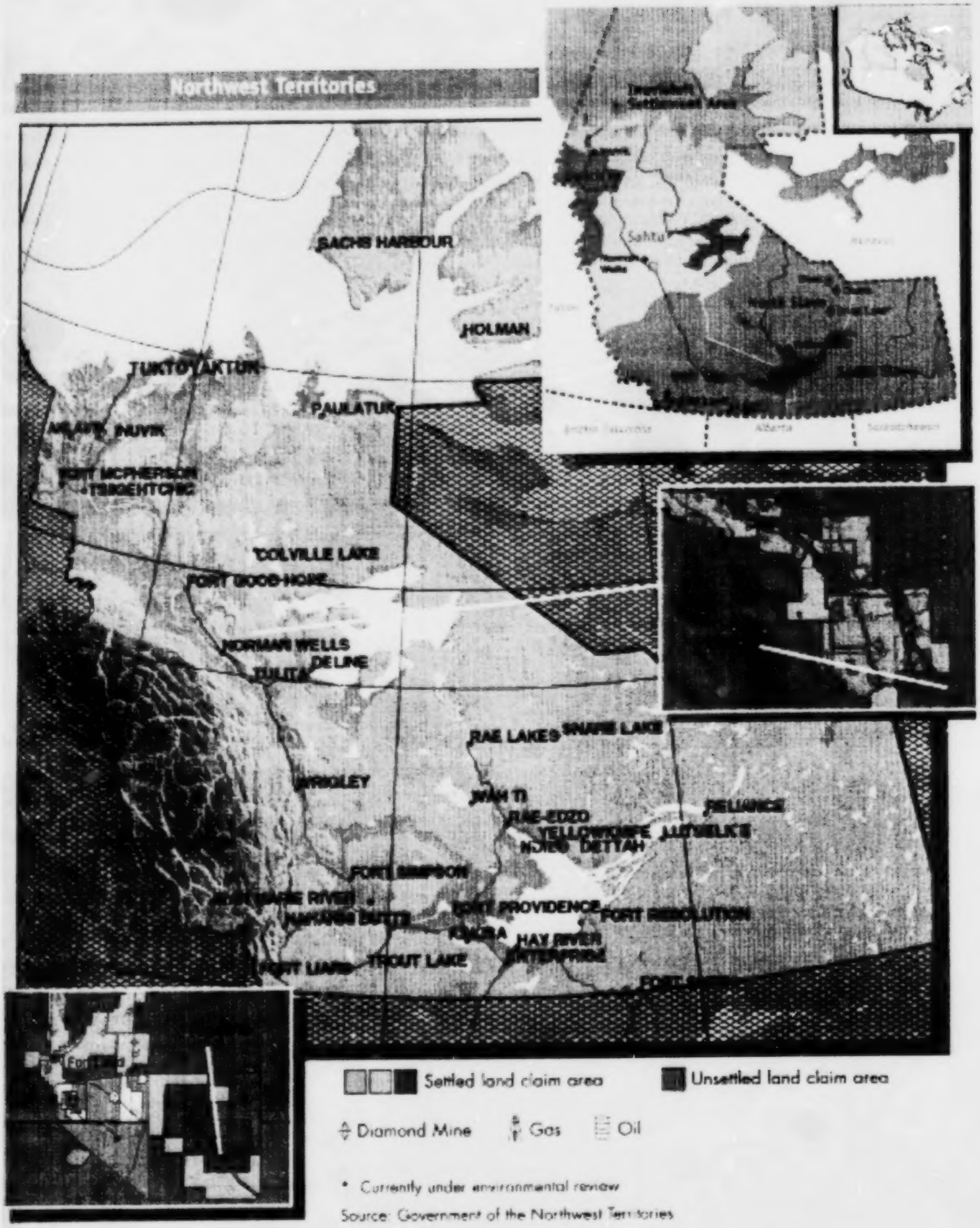
Northwest Territories
SACHS HARBOUR
HOLMAN
TUKTOYAKTUK
PAULATUK
AKLAVIK
INUVIK
FORT MCPHERSON
TSIIGEHTCHIC
COLVILLE LAKE
FORT GOOD HOPE
NORMAN WELLS
DELINE
TULITA
RAE LAKES
SNARE LAKE
WRIGLEY
WHA TI
RAE-EDZO
YELLOWKNIFE
LUTSELK'E
NDILO
DETTAH
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FORT RESOLUTION
KAKISA
HAY RIVER
ENTERPRISE
FORT LIARD
TROUT LAKE
Inuvialuit Settlement Area
Sahtu
North Slave
Nunavut
Yukon
British Columbia
Alberta
Saskatchewan
Fort Liard
Settled land claim area
Unsettled land claim area
Diamond Mine
Gas
Oil

* Currently under environmental review

Source: Government of the Northwest Territories

Note: Map for illustrative purposes only

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Foreword

The National Round Table on the Environment and the Economy (NRTEE) established the Aboriginal Communities and Non-renewable Resource Development Program to examine the key issues affecting the sustainability of Aboriginal communities involved with, or impacted by, mineral, oil and gas exploration and development in Canada's North. As Chair of the NRTEE, I am pleased to introduce this *State of the Debate* report, which details the program's findings. The report is based on consultations with over 300 key players in the field and on research that a) examined the magnitude of opportunity for mineral, oil and gas development in the Northwest Territories (NWT) and b) explored the regulatory, social, environmental, policy and fiscal challenges and opportunities within the NWT.

The NRTEE adopted a case study approach for the program, focusing on the NWT because this territory illustrates particularly well a set of complex issues that affect Aboriginal communities across Canada. The case study approach serves to sharpen the focus of the NRTEE's work, rather than restricting its applicability. The NRTEE expects that its findings and recommendations will resonate in all three northern territories and, indeed, elsewhere in Canada where opportunities exist to promote the economic, social, cultural and environmental sustainability of Aboriginal communities through the prudent development of non-renewable resources. A strong presence in Canada's North will ensure that Canada can directly address threats to its sovereignty by upholding its commitments to protect the fragile Arctic ecosystem, enhance northern security, promote sustainable economic development in this region and address the social problems facing Aboriginal people in the North.

The background material and recommendations presented here are designed to help raise awareness of the environmental, economic and social issues that key players must address over the next 10 to 25 years, if they are to help build economically viable Aboriginal communities while ensuring the ecological integrity of the environment and the preservation of Aboriginal social structures and culture.

Stuart L. Smith, M.D.
Chair, NRTEE

Preface

This report, *Aboriginal Communities and Non-renewable Resource Development*, is the sixth in the National Round Table on the Environment and the Economy (NRTEE)'s *State of the Debate* series. Based on research and consultations among key players in the Northwest Territories, the report outlines five important policy areas in which these players may take action to ensure that non-renewable resource development contributes to building sustainable Aboriginal communities over the next 10 to 25 years. The report has been prepared as a reference tool for all concerned with policy and decision making affecting non-renewable resource development and the sustainability of Aboriginal communities throughout Canada's North.

NRTEE Task Force on Aboriginal Communities and Non-renewable Resource Development

Task Force Co-Chair
Cindy Kenny-Gilday
Yellowknife, Northwest Territories

Task Force Co-Chair
Joseph O'Neill
Hanwell, New Brunswick

Larry Aknavagik
Chairperson
Nunavut Environmental Impact Review Board

Ted Blondin
Land Claims Negotiator
Dogrib Treaty 11 Council

Allan Bruce
Administrator
Operating Engineer's (Local 115)
Joint Apprenticeship and Training Plan

Violet Camsell-Blondin
Financial Controller
Dogrib Treaty 11 Council

Bill Carpenter
NWT Regional Director
Arctic Region
World Wildlife Fund
Endangered Spaces Campaign

Randy Dahlman
(previously) Manager
Exploration & Development — Liard Basin
Chevron Canada Resources

Jim Excell
President
EKATI™ Diamond Mine

Charlie Furlong
Chief
Aklavik Indian Band

Andrew Gamble
(previously) Secretary to Cabinet
Government of Northwest Territories

Robbie Keith
Elora, Ontario

Pierre LeBlanc
Diavik Diamond Mines Inc.

Lynn Lehr
Senior Landman
Western Canada Business Unit
Chevron Canada Resources

Patricia McCunn-Miller
Managing Director
Environment and Regulatory Affairs
PanCanadian Petroleum Limited

David J. McGuinty
Executive Director & CEO, NRTEE

James R. Moore
Assistant Deputy Minister
DIAND

Gabriela Sparling
Assistant Deputy Minister
Intergovernmental Affairs
Government of the Northwest Territories

Harley Trudeau
Acting/Assistant Deputy Minister
Intergovernmental Affairs
Executive Council Office
Yukon Government

Leslie Whitby (alternate)
Director
Environment and Renewable Resources Directorate
DIAND

Doug Willy
(previously) Vice-President
Community and Government Affairs
Diavik Diamond Mines Inc.

Scott Woronuk
Chief Operating Officer
BP Gas and Power Canada

Staff

Siobhan Arnott
Policy Advisor

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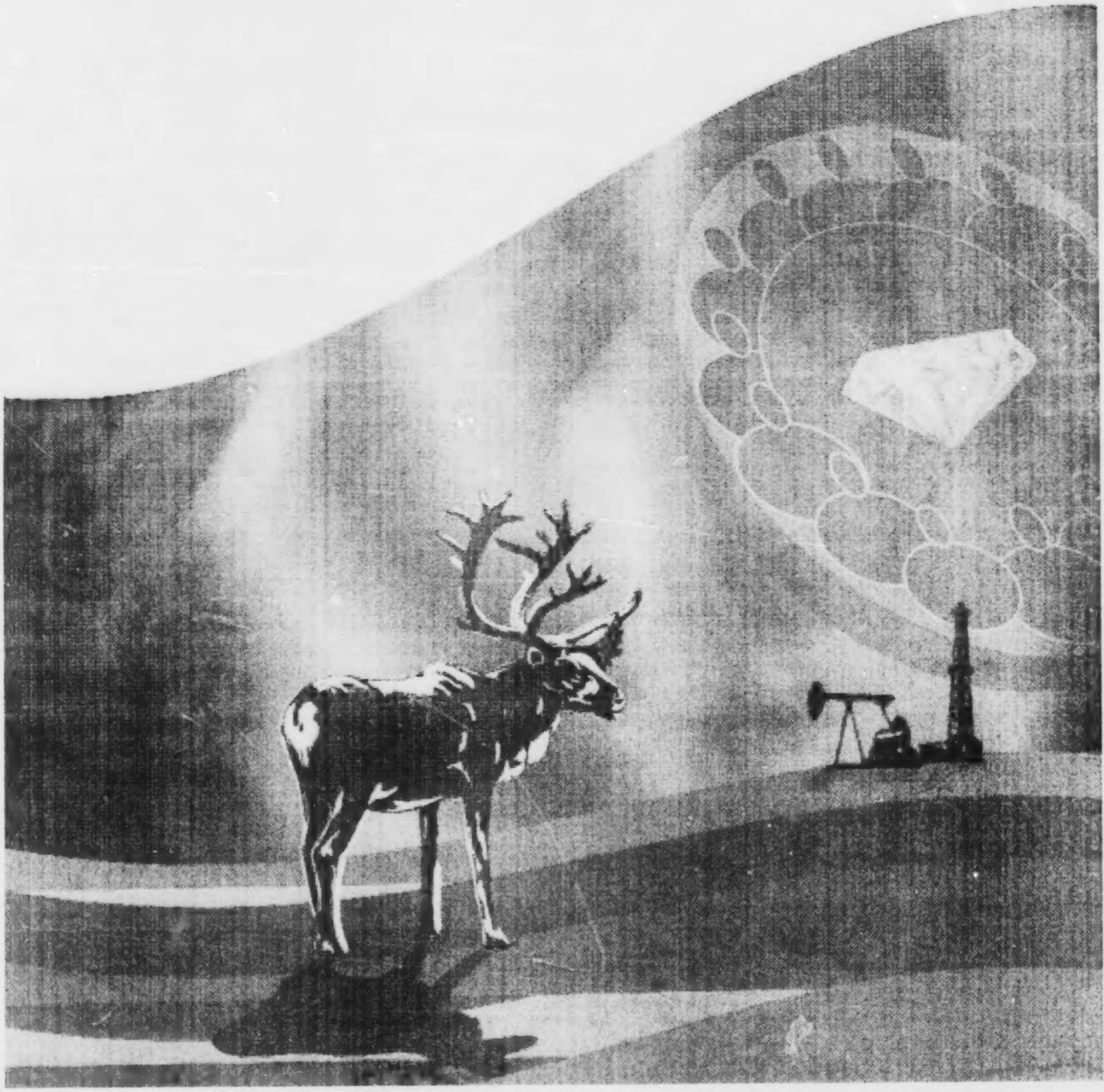
Executive Summary



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Non-renewable resource development in northern Canada presents Aboriginal communities and other northerners with tremendous opportunities. In the Northwest Territories (NWT), for example, there is every indication that diamond mining and the production of natural gas have opened a new era for resource development. Market conditions and the NWT's proven and potential resource endowment suggest that long-term production of both commodities is likely. Diamonds in particular will generate significant direct and indirect employment for northerners. The potential for gas development will take a further leap forward with the construction of a pipeline to ship gas from the Mackenzie Delta to southern markets. Both gas and diamonds will produce multi-billion dollar revenues from taxes and royalties over a 10- to 25-year time frame.

The economic benefits from non-renewable resource development in the North will be spread throughout Canada. The potential for direct employment, indirect economic opportunities and revenue flow to government is particularly significant for residents of the northern territories. While the magnitude of opportunity is not enough to solve all the North's economic problems, there is no doubt that non-renewable resources can generate economic development in a region that is chronically underdeveloped and heavily reliant on the public sector.

Along with these opportunities, however, come potentially high risks. These risks are especially frightening for Aboriginal communities that continue to live with the legacy of environmental damage and social dislocation from past projects and resource booms. All too often, the benefits flowed south, while the long-term costs remained behind in the North.

Aboriginal communities have a profound social, cultural and spiritual attachment to the land. Many Aboriginal people also engage in renewable resource harvesting and rely on the land for subsistence purposes. The potential threats to the environment from non-renewable resource development are therefore taken very seriously in Aboriginal communities.

From a cultural perspective, Aboriginal communities feel torn between two worlds as they confront the prospect of increased non-renewable resource development. Aboriginal people see their traditional culture, languages and way of life as unique and valuable. Preserving these traditions is essential to individual and community well-being. At the same time, many Aboriginal people want development and the opportunities that accompany it. They see the need to return to traditional roots as a source of strength, while reaching out to embrace the new challenges that come with closer economic, social and cultural contact with non-Aboriginal society.

Aboriginal people also face a daunting set of social challenges as they consider a future involving non-renewable resource development. Aboriginal communities have high levels of drug and alcohol abuse, gambling, spousal violence and child abuse. Levels of basic literacy and educational attainment are well below national averages. Unemployment is high, particularly among young people, and income levels are correspondingly low. These problems are major obstacles to full participation in the economic opportunities offered by non-renewable resource development. They are also symptoms of the social and cultural disruption and the economic marginalization that have resulted from contact with non-Aboriginal society.

In 1998, the National Round Table on the Environment and the Economy (NRTEE) launched the Aboriginal Communities and Non-renewable Resource Development Program. The purpose of the program was to explore the relationship between Aboriginal communities and non-renewable resource development from the perspective of sustainability. The NRTEE's mandate to identify, explain and promote the "principles and practices of sustainable development" was clearly a good fit with the aspirations of Aboriginal communities — Aboriginal communities in the North are there for the long term. For these communities to remain true to their origins and their destiny, they *must* be sustainable. The challenge they now confront is to achieve sustainability within the social, economic and political realities of northern Canada. Since non-renewable resource development plays a central role in shaping all of these realities, the challenge of sustainability for Aboriginal communities is inseparable from the challenge of defining how they will relate to resource development now and in the future.

The NRTEE's examination of non-renewable resource development and the sustainability of Aboriginal communities draws heavily on the experience of Aboriginal people, governments, resource developers and other key players in the NWT. The underlying issues are not, however, restricted to one part of the country. The NWT was selected as the focus for a case study because it illustrates particularly well a set of complex issues that affect Aboriginal communities across Canada. The use of a case study approach serves to sharpen the focus of the NRTEE's work, not to restrict its applicability. The NRTEE expects that its findings and recommendations will resonate in all three northern territories, as well as elsewhere in Canada where opportunities exist to promote the economic, social, cultural and environmental sustainability of Aboriginal communities through the prudent development of non-renewable resources. More specifically, the NRTEE believes that the principal issues addressed in this report are equally pressing in the Yukon and Nunavut. For most if not all of the recommendations in this report that relate specifically to the NWT, compelling arguments can be made that parallel initiatives should be established and funded in the other two territories. Finally, it can be argued that Canada's building of a strong presence in the North will allow it to directly address threats to its sovereignty by upholding its commitments to protect the fragile Arctic ecosystem, enhance northern security, promote sustainable economic development in this region and address the social problems facing Aboriginal people in the North.

The starting point for the NRTEE's intensive examination of these critically important issues is its vision of sustainable Aboriginal communities. This vision identifies economic vitality, environmental integrity, social and cultural well-being, equity and control over natural resources as the key indicators of sustainability. When the current status of Aboriginal communities in northern Canada is evaluated using these indicators, the need for significant progress is evident.

The NRTEE also gave careful consideration to the role of non-renewable resources in furthering its vision of sustainable Aboriginal communities. Non-renewable resource development is clearly not a panacea for the North in general, or for Aboriginal communities in particular. Initiatives to promote activity in the non-renewable resource sectors should be situated within a broader strategy directed toward economic diversification and the careful management of the North's precious — and potentially inexhaustible — endowment of renewable resources. Nonetheless, the NRTEE's decision to focus on non-renewable resource development reflects a judgment that, at this point in the history of northern Canada, the mining and oil and gas sectors can provide key economic support for the long-term sustainability of Aboriginal communities.

If non-renewable resource development is to lever a sustainable future for Aboriginal communities, specific improvements in all the NRTEE's sustainability indicators are necessary. The NRTEE's recommendations are designed to achieve this objective. More generally, they reflect two themes that were raised repeatedly throughout the Aboriginal Communities and Non-renewable Resource Development Program. First, the conditions required for sustainable Aboriginal communities can only be put in place through the coordinated efforts of governments, Aboriginal people, industry and other key players. Formal partnerships and informal cooperation are essential. Second, strategic investment is needed in a number of key areas. The use of this term to describe funding initiatives is no accident. The economic potential of non-renewable resource development and the focus on areas where tangible benefits can be achieved should ensure that the expenditures recommended by the NRTEE generate net positive returns for northerners and all Canadians.

The NRTEE's vision of sustainable Aboriginal communities provides the basis for a series of specific recommendations. The NRTEE is fully aware that these proposals must be viewed against the backdrop of monumental changes in the political landscape of Canada's northern territories. Developments in two areas in particular will define the context within which the NRTEE's vision will be implemented. First, the negotiation and implementation of land claim and self-government agreements are of fundamental importance to Aboriginal communities throughout the North and will have direct political and economic consequences for all northerners. Second, profound changes in governance will follow from the devolution of powers by the federal government to territorial and Aboriginal governments. The NRTEE strongly endorses the direction of current initiatives in both of these areas and urges all the parties involved to get the job done as quickly as possible. These ongoing changes should not, however, stand in the way of immediate action on specific policy issues relating to non-renewable resource development and the sustainability of Aboriginal communities. The NRTEE recommends immediate action in five key areas.

1. Cumulative Effects Management

Cumulative effects management was identified through NRTEE consultations as essential for the sustainability of Aboriginal communities in northern Canada. The most significant risks from non-renewable resource development in the future are likely to arise from the cumulative environmental, social and cultural impacts of multiple exploration programs, mines, oil and gas facilities and pipelines, along with the roads and other infrastructure required to support these projects. Ensuring sustainable Aboriginal communities requires a coordinated strategy to address these cumulative effects.

Cumulative effects management is not a simple task. By definition, it requires attention to the impacts of multiple projects and activities that may occur within a large geographic area over an extended period. These projects and activities, in turn, are often subject to a variety of planning and regulatory processes. Insufficient data and scientific uncertainty regarding cause-and-effect relationships are common problems for cumulative effects management. Uncertainty regarding the objectives to be achieved is also common. Mechanisms may not exist to identify and reconcile the sometimes competing interests that may be affected by management decisions.

Cumulative effects management in the NWT must address all these general problems. In addition, the environmental sensitivity of northern regions and the distinctive social and cultural characteristics of the NWT present particular challenges for cumulative effects management. The institutional context is also rapidly evolving. New agencies and processes for resource management have been created and are only beginning to develop the institutional capacity required to fulfil their mandates. More generally, the settlement and implementation of land claim and self-government agreements and the prospect of increased devolution are bringing important changes to the overall structure of governance. The NWT thus presents a complex and fluid environment for cumulative effects management.

Successful cumulative effects management in the North will require measures to coordinate and consolidate a broad range of existing programs and processes relating to baseline data collection, monitoring, land use planning, resource management and project-specific regulation. At the same time, it must respect the institutional arrangements and decision-making processes established through land claim and self-government agreements and implementing legislation. Traditional Aboriginal knowledge must be incorporated into cumulative effects management, and socio-economic effects must be addressed. Objectives, benchmarks and thresholds are required to guide research, monitoring and decision making.

A number of important initiatives relating to cumulative effects management are currently underway in the NWT. The most significant of these initiatives is the joint effort by the federal and territorial governments, Aboriginal organizations and governments, industry, environmental groups, and the Mackenzie Valley Environmental Impact Review Board to develop the Cumulative Effects Assessment and Management (CEAM) Framework. Work is underway to design this framework; however, the target date for implementation (April 2001) will not be met due to insufficient funding. The NRTEE strongly endorses the CEAM Framework and makes two recommendations to support its successful implementation. These recommendations are as follows:

① ***The Government of Canada should allocate a total of $25.8 million, over six years, to the Department of Indian Affairs and Northern Development and the Department of Environment to complete the development and implementation of an integrated policy framework for cumulative effects management in the NWT. This funding includes:***

- ***i. a total of $800,000 to enable the NWT Cumulative Effects Assessment and Management Working Group to submit a completed and comprehensive CEAM Framework and action plan by the end of the fiscal year 2001–2002 to the ministers of Indian Affairs and Northern Development and Environment; and***
- ***ii. a total of $5 million annually for five years, starting in 2002–2003, to fund the implementation of the CEAM Framework — including the Mackenzie Valley Cumulative Impact Monitoring Program (at a cost of $3 million annually), the action plans for the North Slave and Deh Cho regions, and five-year audits (including state of the environment reporting) — and to meet the needs of the agencies that have key roles in monitoring and managing cumulative effects. This funding level should be reassessed after five years.***

② ***The partners in the West Kitikmeot/Slave Study (WKSS) should ensure the continuation of research being undertaken by the WKSS in support of cumulative effects assessment and monitoring by providing the necessary funding during the transition period between the end of the WKSS mandate (April 2001) and the establishment of a successor organization or initiative that is able to continue this research. The successor organization or initiative should be identified through consultations among the WKSS partners, the CEAM Framework partners and the Nunavut General Monitoring Program.***

2. The Investment Climate for Non-renewable Resource Development

A major challenge for a strategy that relies on non-renewable resource development to promote sustainability is to ensure that economic activity in the resource sectors continues over the long term. It is true that strong commodity prices and the North's mineral potential have been powerful incentives for exploration and development in the diamond and oil and gas sectors in recent years. The fact remains, however, that northern Canada must compete in a global market for the investment capital required for non-renewable resource development. The NRTEE believes that significant policy measures can and should be taken to help ensure the continued vitality of the North's non-renewable resource sectors. The bottom-line consideration is that unless companies are willing to invest in the North, the promise of long-term benefits remains simply a promise.

The actions required to overcome current obstacles to investment in non-renewable resource development are of two types. First, there is an urgent need for the federal government, the territorial governments, Aboriginal organizations and governments, industry and other key players to work together to improve the effectiveness and efficiency of the regulatory regimes governing non-renewable resource development in northern Canada. Second, there is a need to level the playing field in a number of other areas where the North is at a disadvantage compared with other jurisdictions when competing for investment. To address these issues, the NRTEE proposes four recommendations to improve the climate for investment in the NWT and throughout northern Canada. This report also summarizes competing points of view on a fifth option, the establishment of a northern investment tax credit. The NRTEE's four recommendations are as follows:

③ ***The Government of Canada should allocate at least $2.2 million per year (including $500,000 per year for intervener funding) to enable the Department of Indian Affairs and Northern Development to provide the Mackenzie Valley Environmental Impact Review Board with a secure, multi-year funding commitment that will ensure that the Board can effectively carry out its mandate and can provide intervener funding during environ-***

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mental assessments and environmental impact reviews. This funding level should be reassessed after five years.

4 ***The*** **Mackenzie Valley Resource Management Act** ***should be amended to include a specific requirement for intervener funding.***

5 ***The Government of Canada should commit $10 million per year, for 10 years, to the Department of Natural Resources (Geological Survey of Canada) and the Department of Indian Affairs and Northern Development (for allocation to the C.S. Lord Northern Geoscience Centre) to create a modern, integrated and accessible geoscience database for the NWT.***

6 ***Recognizing that strategic investment in northern infrastructure benefits not only northerners, but also all Canadians, the Government of Canada should not use a per capita allocation formula as the basis for infrastructure funding to address the urgent needs of the North. Specifically, the NRTEE recommends that the Government of Canada set aside a block of funding for use as a minimum threshold allocation and then divide the remaining infrastructure funding on some other basis, such as a per capita allocation formula.***

3. Capacity Building

Capacity building is the most important challenge facing Aboriginal communities in the North. The NRTEE's consultations consistently identified a lack of Aboriginal capacity as the principal impediment to maximizing benefits from non-renewable resource development.

Building Aboriginal capacity begins with improvements in basic literacy and educational achievement. Aboriginal people also need skills training and apprenticeship programs in order to benefit from many of the opportunities offered by the non-renewable resource sectors. Administrative, management and entrepreneurial skills are essential to economic self-sufficiency, political self-determination and the ability to manage both opportunities and risks associated with resource development. Life skills in areas such as money management, career planning and cross-cultural communication are also required as Aboriginal peoples make the transition to the wage economy. Finally, the transferability and diversification of skills is important to ensuring long-term community capacity, particularly since individual projects have finite lifespans, non-renewable resource sectors are subject to boom-and-bust cycles, and not all people wish to work in the non-renewable resource sectors.

There are six principal obstacles to increasing the capacity of Aboriginal communities in the North. First, coordination among programs and initiatives is inadequate. Second, many existing capacity-building programs do not place enough emphasis on the opportunities offered by non-renewable resource development. Third, all too often the needs and circumstances of individuals living in Aboriginal communities are not adequately addressed. Fourth, funding levels for capacity building are insufficient to meet current and expected needs. Fifth, the value of formal education and training remains underappreciated in many Aboriginal communities and among some Aboriginal leaders. Finally, a large proportion of the adult Aboriginal population lacks the basic literacy and education to compete effectively in the wage economy, even for entry-level positions.

These obstacles suggest a number of general areas for improvement in capacity building. Human resource inventories and needs assessments should be developed on a regional basis. The roles and responsibilities of governments, industry, educational institutions and Aboriginal communities could be better defined. Funding and access to training programs should be provided to Aboriginal communities as far in advance as possible of the start of non-renewable resource development. More emphasis should be placed on community-based education and training. Capacity-building programs should reinforce the values of Aboriginal culture, as well as assisting with the transition to the wage economy. Linkages should also be made between government's capacity-building initiatives and private sector programs established in accordance with impact-benefit or socio-economic agreements.

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program did not attempt to address the full range of issues raised by capacity building or to develop a comprehensive capacity-building strategy. The NRTEE is, however, proposing five key initiatives in this area to promote sustainable Aboriginal communities. The NRTEE's recommendations are as follows:

7 ***The Intergovernmental Forum, in consultation with industry and other interested parties, should appoint an independent champion for a two-year term to evaluate the current state of Aboriginal capacity building in the NWT, encourage greater cooperation and integration among capacity-building programs, ensure synergies (i.e., in terms of existing funding sources), identify new sources of funding, and develop and promote new initiatives.***

8 ***The Intergovernmental Forum should promote a regional and community-based approach to capacity building in the NWT by playing a lead coordination and support role in the development and implementation of regional human resource development plans.***

9 ***The Government of Canada should contribute $5 million toward the creation of a three-year awareness program, headed by the Premier of the NWT, to raise the profile of education and training in all Aboriginal communities in the territory. The Premier should involve the Intergovernmental Forum, the independent champion, the National Aboriginal Achievement Foundation (including 24 outstanding Aboriginal achievers from across Canada), industry and business in this awareness project.***

10 ***The Government of Canada should contribute $60 million for a state-of-the-art 10-year adult education program, which would begin following the successful launch of the awareness program proposed in recommendation 9, to enhance literacy, high-school upgrading, and computer training and basic skills among Aboriginal men and women in the NWT between the ages of 18 and approximately 48. This program should be designed by the most successful Aboriginal adult educators in Canada and be administered by experts employed by the NWT Department of Education, Culture and Employment in accordance with the highest Canadian standards for literacy and high-school achievement levels.***

11 ***The NRTEE should convene a capacity-building forum within three months of the release of this report to raise the profile of capacity-building issues (including the importance of basic literacy and adult education), promote partnerships and provide specific guidance to the Intergovernmental Forum on the mandate of the independent capacity-building champion, the measures to be taken in support of regional human resource development planning, and the identification of existing and new funding sources.***

4. Consultation

The need for effective consultation with Aboriginal communities is a common thread that runs through all efforts to maximize benefits and minimize risks from non-renewable resource development. Consultation opens the door to meaningful participation by Aboriginal communities in decision making. For industry and government, consultation with Aboriginal communities is a legal and practical requirement for non-renewable resource development in the North. Consultation is also the first step in building the trust and partnerships that benefit everyone involved in resource development.

There are several important obstacles to effective consultation in the North. Consultation is often too late in the decision-making process for resource development as well as too rushed, putting undue pressure on Aboriginal communities and undermining the trust required for mutually beneficial relationships. This problem is compounded by the fact that Aboriginal communities often lack the human and financial resources to participate effectively in consultation. The roles and responsibilities of industry, government and Aboriginal organizations in consultation processes are often ill defined, leading to uncertainty, delay and frustration. Finally, Aboriginal culture and language are sometimes given insufficient respect in consultation processes.

The NRTEE has identified four principles to guide successful consultation. First, consultation should occur early in the planning for non-renewable resource development and should continue frequently thereafter. Second, parties should clarify their expectations and needs at the outset. Third, consultation processes must take account of differences in language and culture. Fourth, adequate funding for Aboriginal participation in consultation processes is essential. The NRTEE's recommendations, directed primarily to this fourth principle, are as follows:

12 ***The Department of Indian Affairs and Northern Development should continue the Interim Resource Management Assistance Program until all land claims are settled within the NWT. The Department should conduct a yearly review and adjustment of this program's budget to ensure that it can adequately fulfil its mandate of supporting Aboriginal participation in consultations and other processes in non-settlement areas.***

13 ***The Government of Canada should establish a $15-million funding mechanism over three years, to be administered by the Department of Indian Affairs and Northern Development, to facilitate the participation of Aboriginal organizations and Aboriginal governments in consultation processes associated with large non-renewable resource development projects in the three northern territories. This funding should be available prior to the intervener funding that is provided under the environmental assessment and regulatory processes that apply to these projects.***

5. Sustainable Aboriginal Communities in the Long Term

Aboriginal people view their relationship with the land as extending across seven generations. Ensuring that Aboriginal communities are truly sustainable therefore requires a long-term perspective. While non-renewable resources currently offer tremendous potential to support the development of sustainable Aboriginal communities, the NRTEE's consultations have identified three principal concerns for the longer term. These concerns focus on the distribution of benefits, economic diversification and resource depletion.

The NRTEE's indicators of sustainable Aboriginal communities include explicit reference to equity — the fair distribution of costs and benefits within and among communities, between communities and developers, and across different economic interests and generations. Non-renewable resource development is not consistent with the NRTEE's vision of sustainable Aboriginal communities if it results in the creation of "have" and "have not" communities or if certain groups within Aboriginal communities are excluded from the benefits of development. Equity requires measures to address the needs of those who do not share in the immediate economic spinoffs of development.

The need to diversify the economic base for Aboriginal communities is a second concern. Regardless of how promising the future looks today for diamond mining and the oil and gas sector, a one-track strategy for sustainability is risky over the long term. Economic and market conditions change, leading to boom-and-bust cycles in non-renewable resource sectors. The NRTEE recognizes that efforts should be made to diversify the economic basis for sustainability so that the well-being of Aboriginal communities is not entirely dependent on a single project or sector. Non-renewable resource development can and should provide tangible support to these diversification efforts.

A third concern is captured by the question: What is left after non-renewable resources are gone? Even if a strong economy and favourable market conditions over many decades smooth out the boom-and-bust roller coaster, eventually key mineral deposits and oil and gas reserves will be depleted. In fact, one reason for increased interest in northern oil and gas is the decline in reserves in Alberta. The faster development occurs in the NWT, the sooner the inevitable decline in reserves will begin.

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program does not have a mandate to address broad issues of social equity or to propose an overall economic diversification strategy for the NWT. The NRTEE's consultations and research have, however, examined 1) savings and economic diversification funds and 2) Aboriginal ownership in companies and projects as two mechanisms that have real potential to ensure that mining and oil and gas activity today will produce an equitable distribution of benefits and promote broader economic diversification into the future. On this basis, the NRTEE recommends the following:

14 ***All parties to the Intergovernmental Forum should devise a mechanism for allocating a portion of government resource revenue to create a savings and economic diversification fund, the purpose of which would be to promote long-term sustainability for Aboriginal communities and for the NWT as a whole.***

15 ***The Department of Indian Affairs and Northern Development should monitor, on a yearly basis, the demand for capital to support Aboriginal equity participation in northern non-renewable resource development, including infrastructure projects, and should adjust the available funding levels accordingly to ensure that Aboriginal communities can secure equity stakes in major projects.***

The NRTEE's recommendations in the five areas reviewed above reflect a broad consensus among the key players that participated in the Aboriginal Communities and Non-renewable Resource Development Program. In one important area, however, the NRTEE was unable to achieve consensus. The "free entry" system for mining was the subject of vigorous debate throughout the NRTEE's consultations. This system, enshrined in the *Canada Mining Regulations*, establishes procedures whereby prospectors can enter most lands containing Crown-owned minerals, acquire mineral rights by staking claims, gain exclusive rights to carry out further exploration and development within the area covered by claims, and eventually obtain mining leases if the proper procedures have been complied with.

The free entry system is criticized by some Aboriginal people and environmental groups on the grounds that it establishes mining as the preferred land use in the North, eliminates most regulatory discretion regarding exploration and the staking of claims, subordinates the interests and values of Aboriginal communities to those of the mining industry, and is inconsistent with Aboriginal title and treaty rights. Defenders of free entry, notably in the mining industry, see it as a cornerstone of mining in the North and argue that the critics do not adequately take account of the implications of how Canada's mining regulations serve to monitor and control the "rights" established through free entry.

Aboriginal participants in the NRTEE's consultations expressed a range of views on the free entry issue. The level of concern over free entry among Aboriginal people is linked, like so much else, to land claims. Aboriginal communities in areas of unsettled claims are particularly vulnerable to exploration and development activity on their traditional lands. Where claims are settled, however, Aboriginal surface and subsurface ownership rights are secure and mechanisms are in place to give Aboriginal communities more of a role in decision making regarding mineral exploration and development. Not surprisingly, Aboriginal critics of free entry tended to come from areas without settled claims.

The NRTEE recognizes that certain Aboriginal organizations and other key players in the North are fundamentally opposed to the free entry system for mining that is enshrined in the *Canada Mining Regulations*. At the same time, the NRTEE has heard strong support for this system from industry representatives. Faced with this divergence of views on how to proceed, the NRTEE is unable to present a consensus recommendation dealing with the free entry system for mining. There is clearly a need for all interested parties to continue to work toward a constructive resolution of the contentious and complex issues raised by free entry in the North.

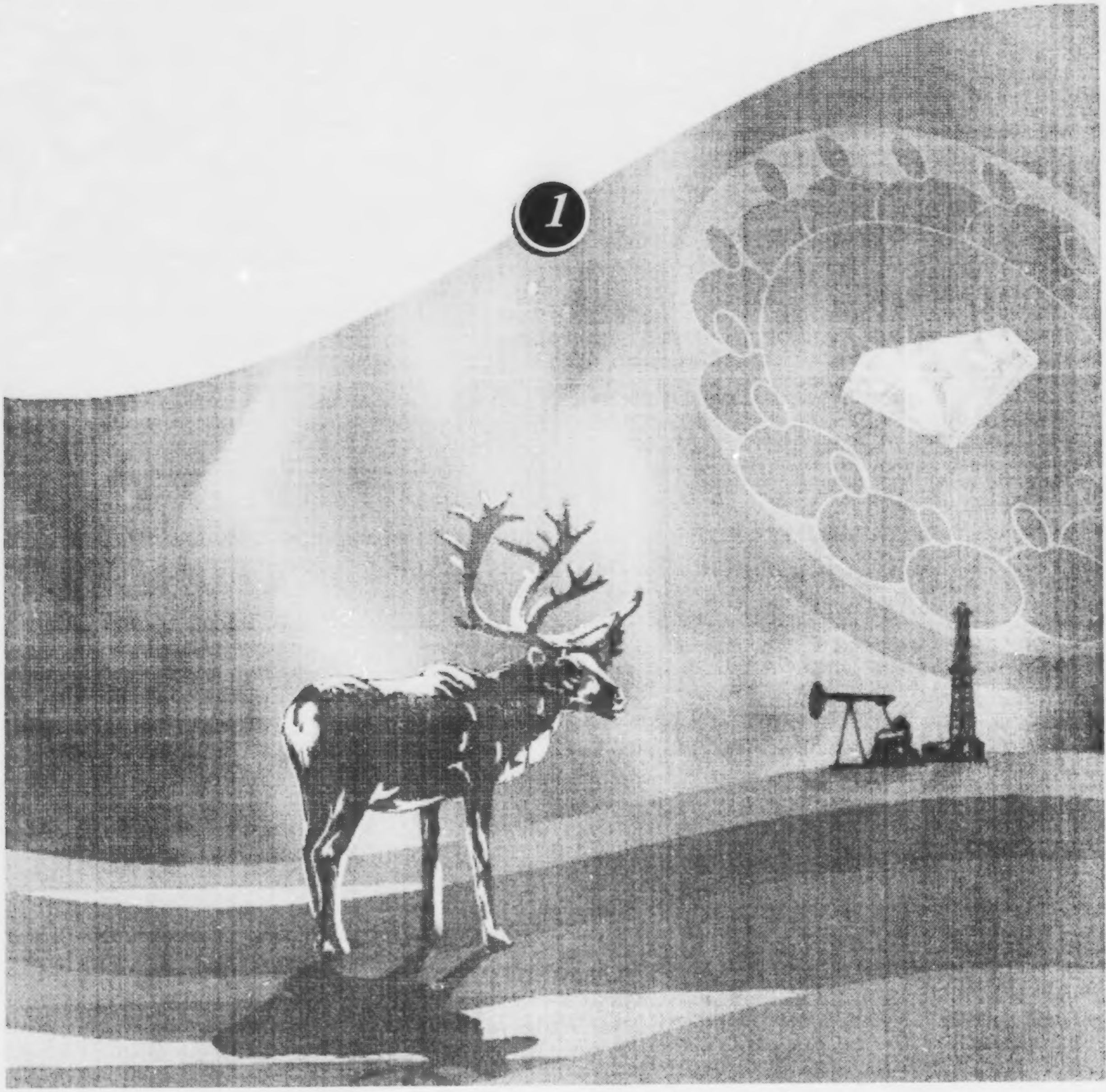
Non-renewable resource development in the North has the potential to generate significant economic benefits for Aboriginal people, other northerners and all Canadians. These benefits will not, however, flow automatically to Aboriginal communities. Non-renewable resources will contribute to the sustainability of Aboriginal communities only if those communities are able to take advantage of the opportunities that arise from resource development.

Non-renewable resource development also brings with it significant risks. Unless development is properly managed, it can seriously undermine the environmental, social, cultural and spiritual foundations of Aboriginal communities. Minimizing these risks is therefore essential if non-renewable resources development and sustainable Aboriginal communities are to coexist in the NWT and throughout northern Canada.

The recommendations set out in this report are directed to maximizing the benefits and minimizing the risks of non-renewable resource development for Aboriginal communities. They are based on solid research, and the NRTEE believes their implementation will enable Aboriginal leaders, government, industry and all of the other key players to move further toward its vision of sustainable Aboriginal communities. The NRTEE urges everyone with an interest in non-renewable resource development in the North to work in partnership in order to make that vision a reality.

Chapter One

Introduction

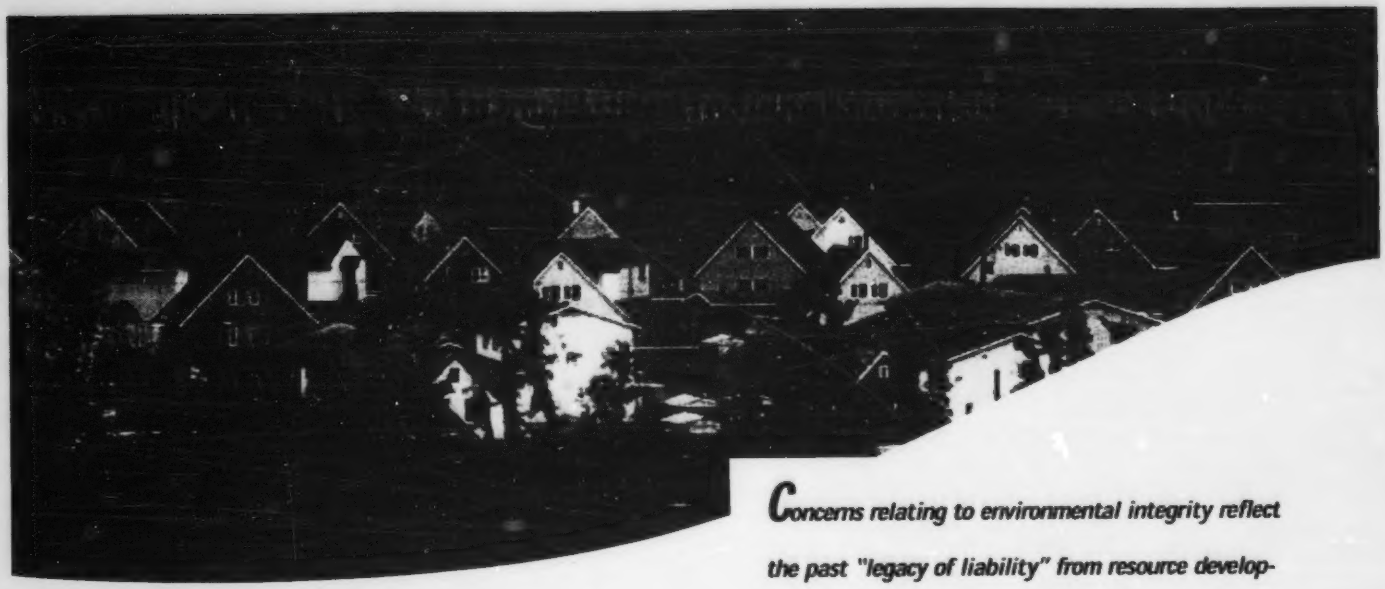


Aboriginal communities in northern Canada enter the 21st century with a mixture of hope and anxiety. Aboriginal political organizations and leadership have never been stronger, yet they are stretched to the breaking point as they confront a staggering array of social, economic and political issues. Land claim and self-government agreements have been — or are being — negotiated, yet the goal of meaningful participation in the decisions that affect their lives remains elusive for many Aboriginal people. More Aboriginal youth are staying in school, yet overall educational achievement in Aboriginal communities is far below the national average and illiteracy remains a problem in all age groups. Many communities have begun the healing process needed to overcome the social and cultural trauma of the past 100 years, yet alcoholism, drug abuse, violence and despair remain part of everyday life for many Aboriginal people. Despite recognition of their rights by the courts and an increased political profile, particularly in the North, Aboriginal people still are not accorded the respect that they deserve in much of Canadian society.

Many of the hopes and fears of Aboriginal communities in northern Canada are centred on the impacts of non-renewable resource development. The need for economic development is undeniable. Poverty casts a heavy burden on Aboriginal people, their families and their communities. There is no return to a self-sufficient existence living on the land. However, many Aboriginal people have yet to find their place within the wage economy. The promise of jobs and business opportunities in mining or the oil and gas industry offers the prospect of a better future — a way to escape the demoralization of unemployment and economic marginalization.

At the same time, past experience with non-renewable resource development has been a bitter one for many Aboriginal people. All too often the benefits flowed south, leaving nothing behind but a hole in the ground and a legacy of environmental damage and social dislocation. Aboriginal people remain firmly committed to maintaining cultural values and traditions that are tied to seasonal activities on the land. The caribou hunt, muskrat trapping and fishing for whitefish are much more than recreation for Aboriginal people. These activities are part of the social and cultural fabric of their lives. Many Aboriginal people wonder whether they can maintain and strengthen this fabric, while meeting the demands of employment in an economy driven by non-renewable resource development. They also wonder what will be left of their caribou, muskrats and whitefish when the non-renewable resources are gone and the developers have moved on.

In 1998, the National Round Table on the Environment and the Economy (NRTEE) launched the Aboriginal Communities and Non-renewable Resource Development Program. The purpose of this program was to explore the relationship between Aboriginal communities and non-renewable resource development from the perspective of sustainability. The NRTEE's mandate to identify, explain and promote the "principles



Concerns relating to environmental integrity reflect the past "legacy of liability" from resource development and the commitment of Aboriginal people and other northerners to ensure that these mistakes are not repeated.

and practices of sustainable development" was clearly a good fit with the aspirations of Aboriginal communities. Aboriginal communities in the North are there for the long term. Grab-and-run resource development has no appeal for a people whose very identity is inextricably bound up with the land. For Aboriginal communities to remain true to their origins and their destiny, they *must* be sustainable. The challenge that they now confront is to achieve sustainability within the social, economic and political realities of northern Canada. Since non-renewable resource development plays a central role in shaping all these realities, the challenge of sustainability for Aboriginal communities is inseparable from the challenge of defining how they will relate to resource development now and in the future.

This report is the culmination of the NRTEE's intensive examination of these critically important issues. It presents a vision of sustainable Aboriginal communities based in large measure on a strategy of maximizing the benefits and minimizing the risks of non-renewable resource development. Following extensive consultations and research, the NRTEE has developed a set of specific recommendations to achieve sustainability for Aboriginal communities in the context of a flourishing resource-based economy.

The NRTEE's examination of non-renewable resource development and the sustainability of Aboriginal communities draws heavily on the experience of Aboriginal people, governments, resource developers and other key players in the Northwest Territories (NWT). The underlying issues addressed here are not, however, restricted to one part of the country. The NWT was selected as the focus of a case study because it illustrates particularly well a set of complex issues that affect Aboriginal communities across Canada. The case study approach helps to sharpen the focus of the NRTEE's work, not to restrict its applicability. The NRTEE expects that the findings presented in this report will resonate in all three northern territories, as well as elsewhere in Canada. Although the recommendations that follow are tailored in many cases to the specific circumstances of the NWT, they are intended to provide guidance wherever opportunities exist to promote the economic, social, cultural and environmental sustainability of Aboriginal communities through the prudent development of non-renewable resources.

The NRTEE recognizes that the implementation of its recommendations would result in significant increases in expenditure on a variety of initiatives within the NWT. In no way, however, should the focus of these recommendations be interpreted as a judgment on the relative merits of funding initiatives in the NWT compared with those in the Yukon and Nunavut. In fact, the NRTEE Task Force on Aboriginal Communities and Non-renewable Resource Development included representatives from each of these two other territories, and these individuals affirmed in no uncertain terms that the issues discussed in this report are equally pressing in their respective jurisdictions. The NRTEE believes that, in most if not all the areas addressed in the recommendations in this report, compelling arguments can be made that parallel initiatives should be established and funded in the

Yukon and Nunavut. Clearly, however, these initiatives and the precise funding allocations would have to be tailored to the specific needs of each territory. Since the Aboriginal Communities and Non-renewable Resource Development Program did not entail a detailed examination of the situations in the Yukon and Nunavut, it was not possible to include precise expenditure recommendations for these territories in this report.

The report is organized as follows. The rest of this introductory section reviews the magnitude of opportunity offered by non-renewable resource development in the NWT and the environmental, cultural, social and political context within which this development is occurring.

Section 2 outlines the NRTEE's broad vision for achieving sustainable Aboriginal communities over the next 10 to 25 years. In Section 3, the profound political changes now underway in the NWT are summarized. Section 4 then presents two recommendations directed to ensuring that the cumulative effects of past, present and future development in the NWT are properly managed. Attention to this critically important issue is essential if non-renewable resource development is to be consistent with the NRTEE's vision of sustainable Aboriginal communities.

Section 5 turns to a series of specific recommendations directed to improving the climate for investment and economic development in the NWT. These recommendations reflect the NRTEE's recognition that a strategy of using non-renewable resource development to lever long-term sustainability for Aboriginal communities depends on the ability of the North to compete for private sector investment.

Section 6 presents the NRTEE's recommendations on capacity building. This issue was identified throughout the Aboriginal Communities and Non-renewable Resource Development Program as being of primary importance. Section 7 addresses the importance of consultation with Aboriginal people and proposes two measures to support Aboriginal involvement in consultation processes. The focus in Section 8 then shifts to two recommendations intended to promote economic diversification and ensure that Aboriginal communities receive long-term benefits from non-renewable resource development.

Section 9 reviews the debate over the "free entry" system for mining in the NWT. Finally, brief concluding comments are presented in Section 10. The report also contains appendices that list participants in the Aboriginal Communities and Non-renewable Resource Development Program, identify the research reports commissioned by the NRTEE to support this initiative and describe important complementary initiatives.

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program has resulted in much more than a set of policy proposals. It is also an appeal for nation building at a time when external environmental and political forces are threatening Canada's sovereignty. According to the Canadian military, there is an ongoing threat to Canadian sovereignty in the North with global warming opening up Arctic waters, including the Northwest Passage by the year 2020; an increase in Arctic tourism leading to foreign ships plying the Northwest Passage; a stronger presence of foreign research and military vessels and/or aircraft in the region; a marked increase in interest in Canada's natural wealth (i.e., water, diamonds) with the decline in natural resources elsewhere in the world; and the declining ability of the Canadian military to effectively monitor and control the Arctic region. In addition, the fragile Arctic ecosystem will be under continuous and increased pressure as traffic increases in this area.

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Canada was originally founded around a political, economic and social vision that — like the railway — connected people from sea to sea. The opportunity now exists to build on that vision, extending it north to the Arctic Ocean and offering to Aboriginal people their rightful place within the new national dream. The NRTEE believes that sustainable Aboriginal communities can and must exist in the Canada of the future. Only a strong presence in the North will enable the Canadian government to protect Canada's sovereignty by acting on its commitments to protect the Arctic environment; to enhance the security of northerners, including Aboriginal people living in the Arctic; to promote sustainable economic growth in that region; and to address key social issues within Arctic communities, as outlined in *The Northern Dimension of Canada's Foreign Policy*[1] (see Appendix C) and the recent *Joint Statement by Canada and the Russian Federation on Cooperation in the Arctic in the North.*[2]

In the NWT and elsewhere in northern Canada, non-renewable resource development provides the most promising economic basis for promoting long-term sustainability. The broad vision and detailed proposals set out below are intended to provide Aboriginal people, other northerners and all Canadians with the inspiration and the tools to work together in pursuit of a sustainable future for Aboriginal communities and for Canada as a whole.

Non-renewable Resource Development in the NWT — The Magnitude of the Opportunity

Recent discoveries of world-class diamond deposits north of Yellowknife and large natural gas reserves in the southern NWT have focused attention again on non-renewable resources as the basis for economic development in the NWT. The current activity has all the hallmarks of a major resource boom.

The discovery of diamonds at Point Lake in 1991 triggered the largest staking rush ever seen in North America. Ten years later, BHP's Ekati mine is in production and Diavik's project is under construction. Other potential mines are in the planning stages and are likely to be developed over the coming years.

The most active gas exploration is currently occurring in the Fort Liard area, where 27 new wells were drilled between early 1997 and August 2000. A consortium led by Chevron has made one of the largest gas discoveries ever in Western Canada. Other companies are also active in the region and have identified major reserves. Pipeline construction will link this gas to southern markets in the near future. There is also renewed interest in the proven gas reserves and the considerable exploration potential of the Mackenzie Delta and Beaufort Sea. Significant activity in this area depends on construction of a pipeline, a project that would itself produce a short-term increase in economic activity within the NWT.

An assessment of the magnitude of opportunity offered by non-renewable resources is critical to understanding the potential benefits and risks of mining and oil and gas development for Aboriginal communities. This assessment requires a step back from the current activity to review, briefly, the history of non-renewable resource development in the NWT and to consider its prospects over the next 10 to 25 years. Research commissioned by the NRTEE yields the following picture.[3]

Mining

Production of minerals on a commercial basis in the NWT began in the mid-1930s, with gold mining in the Yellowknife area and radium-uranium mining near Great Bear Lake. Since that time, the NWT has produced a variety of minerals including gold, silver, copper, nickel, lead, zinc, tungsten, uranium and mineral aggregates. Gold mining has traditionally been the backbone of the NWT's mining industry, with a cumulative production of more than 16 million ounces to date. Six billion kilograms of zinc and two billion kilograms of lead have also been produced.

Three factors will influence the magnitude of opportunity from mining in the NWT over the next 10 to 25 years. The first is continued production from currently operating mines. The second is the development of known but as yet undeveloped deposits. Finally, new deposits might be discovered and brought on stream within this time frame. The importance of all of these factors will, of course, be influenced by mineral prices on world markets. The likelihood of significant new discoveries being made and coming on stream also depends on the exploration effort in coming years, the economic criteria for development, the time lag for bringing discoveries to production and the regulatory environment.

At present, the NWT has two operating gold mines: the Giant Mine and the Con Mine. In its more than 50 years of operation, the Giant Mine has produced over seven million ounces of gold and has created an unfunded reclamation liability of upwards of $250 million, the result of 270,000 tonnes of arsenic trioxide stored on the site. The mine's previous owner filed for bankruptcy in 1999, and the property was sold to the owner of the Con Mine for a nominal sum later that year. The Con Mine has produced nearly five million ounces of gold and is nearing the end of its life. Production from the Con/Giant operations is expected to continue for about another five years at current gold prices, although ongoing exploration at both sites holds some promise of extending the reserve estimates. Current projections suggest little prospect of significant new gold production in the NWT over the next 10 to 25 years without a major increase in world gold prices.

There are currently no base metal mines operating in the NWT. Prices for base metals have tended to decline in real terms (i.e., adjusted for inflation) over the past 50 years, and deposits in the NWT have higher development costs than those elsewhere in the world. The expected scenario for base metals foresees no development in the NWT over the next 10 to 25 years.

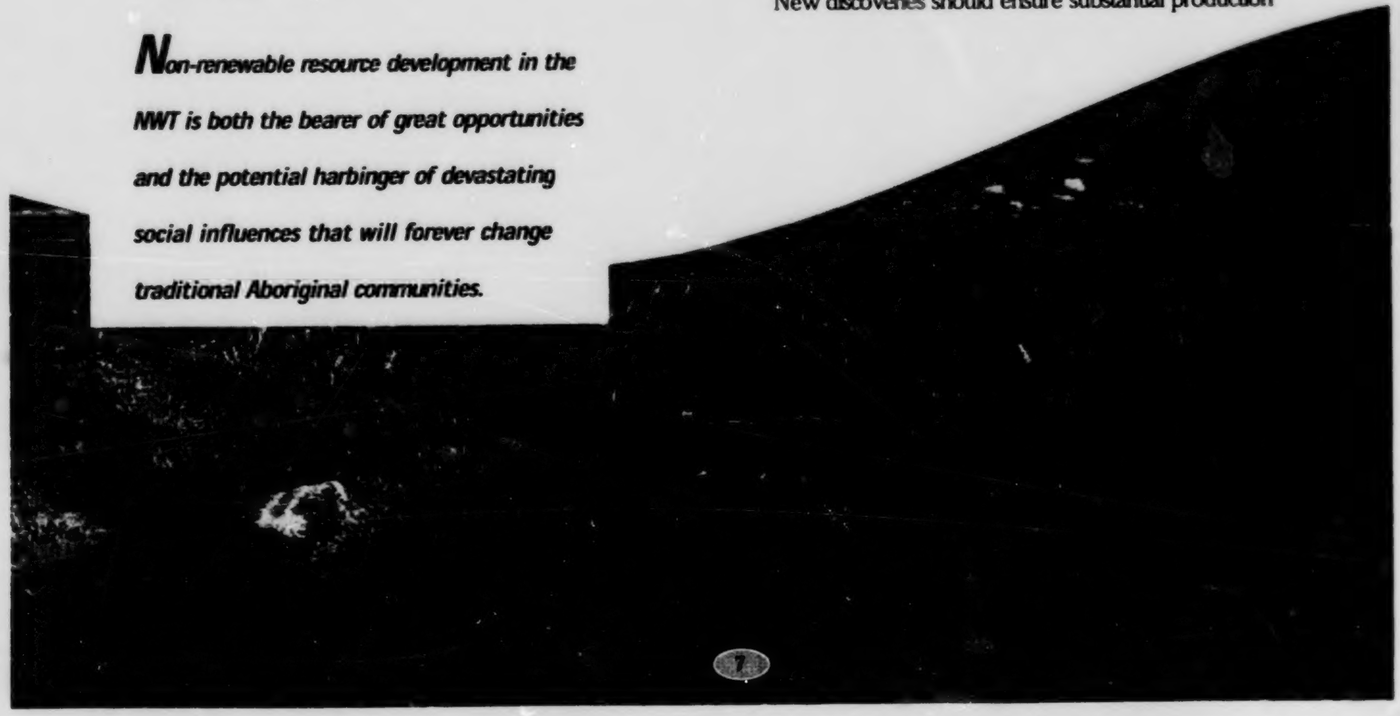
The picture for diamonds is entirely different. The Ekati mine is expected to remain in production for at least the next 25 years, while the Diavik mine, slated to open in 2003 or 2004, has a projected 20-year lifespan. Diamond production on the Winspear property at Snap Lake is also likely within the next four years, with other projects coming on stream over a 25-year time frame and beyond.

There is also a very high potential for new diamond discoveries in the NWT. Considerable diamond exploration is ongoing, and the experience and data in this area are still limited. Given the time required to find, evaluate and develop diamond deposits, the impact of new discoveries will most likely be felt beyond the 25-year time frame. The discovery of major new deposits in quick succession, as occurred over the past decade, appears to be unlikely. This timing provides an opportunity to stage development, ensuring continued activity over a long period and allowing for ongoing monitoring of the environmental, social and cultural effects of diamond mining on the NWT. It also suggests that opportunities within the next 10 to 25 years will flow largely from known projects and deposits.

The magnitude of opportunity for mining in the NWT is thus heavily reliant on diamonds. This projection is supported by an assessment of the current exploration effort. Although the NWT has led Canada in exploration expenditure over the past several years, 80% of the NWT total has been for diamond exploration. The amount of exploration activity for gold and base metal deposits has been relatively low and has mostly centred on existing mines and known non-producing deposits.

In terms of dollars and jobs, the opportunity from diamonds is significant by any standard. The expected value of diamond production in the NWT will exceed US$950 million per year by 2008, and this level of production should continue for at least another decade. New discoveries should ensure substantial production

Non-renewable resource development in the NWT is both the bearer of great opportunities and the potential harbinger of devastating social influences that will forever change traditional Aboriginal communities.



well beyond that. Diamond mining is expected to directly employ more than 1,500 people over the next 10 to 25 years. In discussions with BHP, the NRTEE discovered that the Ekati mine employs 592 people including approximately 396 northerners (67% of the workforce), of whom 225 people are Aboriginal (38% of the workforce). Diavik will employee 450 people once it is operational in the first half of 2003. It aims to bring in two-thirds of its workforce from the North (approximately 300 people), 40% of whom will be northern Aboriginal people.[4]

A number of permanent jobs are also likely in the secondary cutting and polishing industries. Added to this amount are the approximately 300 to 400 jobs from gold mining expected over the next several years. When the indirect employment spinoff is considered, the mining industry should create and maintain in the order of 4,000 jobs over the next 25 years. Based on current estimates, approximately 80% of these jobs should go to northerners, at least half of whom will be Aboriginal people.

This level of activity will also generate significant tax and royalty revenue. The Ekati mine, for example, is expected to produce a total of approximately $2.5 billion in taxes and royalties. Estimated net fiscal benefits, including personal income taxes and other indirect and induced fiscal impacts, are projected to exceed $4 billion. Projections for the Diavik mine include an expected $2.1 billion in taxes and royalties. Total fiscal benefits from diamond mining will increase as new projects come on stream, although eventually the closing of older mines will offset these gains. Diamond mining will therefore make a significant fiscal contribution to government over the next 10 to 25 years. Under current arrangements, the federal government will be the main beneficiary, with very modest revenue going to the Government of the Northwest Territories (GNWT). Negotiations on resource revenue sharing could, however, result in a greater proportion of benefits flowing directly to the GNWT and to Aboriginal governments in the future.

Oil and Gas

The discovery of oil in 1920 at Norman Wells marked the beginning of oil and gas activity in the NWT. This oil field was developed during and after the Second World War, with more recent activity following construction of the Norman Wells Pipeline in the 1980s. Intensive exploration for natural gas in the NWT began in the 1960s, with the Pointed Mountain gas field near Fort Liard coming into production in 1972. The search for oil and gas in the Mackenzie Delta and Beaufort Sea also began in the 1960s. Onshore drilling was concentrated between 1968 and 1976, with significant offshore activity occurring from the late 1970s until the mid-1980s. Onshore drilling increased again in the later 1980s. Activity had stopped by 1990, and only five wells have been drilled in the area since then. Proposals for major pipeline development down the Mackenzie Valley were shelved following the report of the Berger Commission in 1977. Interest revived recently, but no formal proposals have yet been submitted.

The magnitude of opportunity for oil and gas activity depends on a number of factors including North American and world market conditions, land availability for exploration and development, and transportation infrastructure. The completion of a gas pipeline linking the Mackenzie Delta and other reserves with southern markets would have a significant impact on the NWT's oil and gas sector. Given these variables, precise activity levels and economic impacts are somewhat difficult to predict over a 10- to 25-year time frame.

The employment characteristics of oil and gas activity are also significant when estimating economic spinoffs in the NWT. There is typically a surge of employment during the intensive exploration phase and the construction of infrastructure such as pipelines. Once these stages are completed, however, direct employment in production is relatively low. Furthermore, many of the jobs available in the oil and gas sector require highly skilled individuals; and the planning horizon for exploration and development is often relatively short, providing little time for Aboriginal people and other

> ***One sentiment echoed by many Aboriginal people captures their essential environmental ethic when faced with development: "We want our diamonds and natural gas — but we want our caribou too."***

northerners to position themselves for employment. Long-term employment and business opportunities for Aboriginal communities are consequently modest when viewed against the projected value of production and the overall spending and employment levels in oil and gas operations.

The Fort Liard area will continue to be the focus of activity in the coming years, with more seismic exploration, drilling and pipeline construction expected. Expenditures in excess of $100 million annually are forecast for several years. An estimated 372 new jobs have been or are now being created for local residents from exploration and development activities. A few more positions are possible in the medium term from additional pipeline construction. This boost to local employment will likely continue for several years, but activity is likely to decline following the intensive development stage. The Fort Liard band is currently negotiating equity participation in this development as a means of obtaining a share in resource revenue and prolonging the flow of local benefits.

More modest drilling activity and expenditures are projected for the Norman Wells area. Additional expenditures of almost $50 million per year over the next few years could generate approximately 93 jobs for northerners in the region, assuming that the local community is able to capture these jobs. In the longer term, drilling is expected to continue at about two wells per year, with an estimated $16 million in expenditure. A major oil discovery in the area or the completion of a natural gas pipeline could produce significantly more activity at Norman Wells over the next 10 to 25 years.

Activity in the Mackenzie Delta and Beaufort Sea area is difficult to forecast. In the absence of a pipeline project, only limited exploratory activity can be expected. Approval of a pipeline project would, however, produce a significant acceleration of exploration and development. One indication of the potential impact of a pipeline project on levels of activity is the significant private sector commitment to exploration that has resulted from the sale of oil and gas rights in the Delta area over the past several years. The increased interest in developing a northern gas pipeline, perhaps within the next 10 years, has been a major factor behind the bidding for these oil and gas rights. In 1999, the oil and gas industry made work commitments of $183 million in return for federal exploration licences in the Mackenzie Delta. An additional $466 million in commitments were made in 2000 to obtain federal exploration licences in the Delta and adjacent Beaufort Sea. These commitments are for expenditures over a five-year period. Also in 2000, industry provided the Inuvialuit with $75 million in return for the rights to explore two blocks of Inuvialuit-owned land in the Delta.

If a pipeline project goes ahead, the direct and indirect expenditures associated with field development drilling and related facilities are projected to be approximately $1.1 billion over four years. These expenditures would yield approximately 2,540 full-time jobs for that period. The experience in the Fort Liard region suggests that a maximum of 20% of these positions would be available to northern residents. The surge in gas development activity associated with pipeline approval is therefore likely to produce approximately 510 local jobs. At the end of the four-year period, many of these jobs would be lost as exploration and development returned to more modest levels.

In addition to well costs, expenditures on gathering lines and a processing plant would be required. An estimated total of $416 million in economic activity would generate 208 person-years of employment, yielding approximately 42 local jobs over the three-year construction period for gathering and processing facilities. Following the construction phase, few local jobs could be expected unless candidates with the required engineering and technical backgrounds were available.

Construction of a pipeline down the Mackenzie Valley would itself produce economic impacts in the NWT and elsewhere. Based on a very approximate estimate of a $2.4-billion pipeline project, $780 million in logistics and direct construction expenditures could be expected. The remainder of the costs would include pipe, compressors, metering equipment and other material imported from outside the NWT. Financial charges would also be part of the total cost. The $780 million in expenditure on logistics and construction translates into approximately $1,014 million in total economic activity and approximately 500 jobs over the three-year construction period. Employment for northerners would average about 100 jobs per year for three years, subject to annual and seasonal fluctuations as construction proceeded. Depending on the location of control facilities and the level of automation built into the system, local employment could be very low once the pipeline went into operation.

In addition to direct and indirect business opportunities for Aboriginal communities and other northerners, oil and gas production will also generate a significant stream of tax and royalty revenue to government. Given the uncertainties regarding the amount and price of oil and gas to be produced over the next 10 to 25 years, it is difficult to estimate the total revenue flow to government. Long-term benefits to the NWT in general, and Aboriginal communities in particular, will depend on how this resource revenue is allocated.

Summary — A New Era for Non-renewable Resource Development

The forecasts reviewed above suggest five important conclusions regarding the magnitude of opportunity from non-renewable resource development in the NWT. These conclusions provide reason for both optimism and caution.

First, diamond mining and the production of natural gas appear to have opened a new era for resource development in the NWT. Market conditions and the NWT's proven and potential resource endowment suggest that long-term production of both commodities is likely. Diamonds in particular will generate significant direct and indirect employment for northerners. The potential for gas development will take a further leap forward with the construction of a pipeline to ship Mackenzie Delta gas to southern markets. Both gas and diamonds will produce multi-billion dollar revenues from taxes and royalties over a 10- to 25-year time frame. The picture has thus changed dramatically from the time when the NWT's non-renewable resource economy was dominated by gold mining, base metal production, and limited oil and gas production at Norman Wells and in the Fort Liard region.

Second, the economic stimulus from northern resource development will be felt throughout Canada. Under the most optimistic scenarios for securing business opportunities, employment and other benefits for northerners, companies and individuals from southern Canada will continue to play a major role in supplying the capital, expertise, equipment and supplies needed to explore for and produce the NWT's non-renewable resources. As a result, significant economic spinoffs will inevitably flow south. Canada as a whole will benefit as well from increased revenue through royalties and taxes. The magnitude of opportunity from non-renewable resource development in the NWT is therefore significant from a national perspective.

Third, predictions of resource development and associated economic benefits should, like all forecasts, be treated with some caution. Many variables will influence non-renewable resource development in the NWT over a 10- to 25-year period. Many of these variables, notably world commodity prices, are beyond the control of northerners. The projections noted above are drawn from research commissioned by the NRTEE. Estimates of expected benefits from non-renewable resource development have been produced by others as well in recent years.[5] Past experience with boom-and-bust cycles in resource sectors is a reminder of the potential for error in all forecasts.

Fourth, the projections reviewed above suggest that expectations regarding direct benefits must be realistic. Non-renewable resource development is likely to produce several thousand long-term jobs for northerners over the 10- to 25-year time frame. Many of these jobs will be related to diamond mining, although oil and gas operations will generate relatively modest short-term surges in employment. It is striking, for example, that a $2.4-billion pipeline project in the Mackenzie Valley may yield only

100 local jobs over the three-year construction period and virtually no local employment thereafter. Non-renewable resource development thus represents a significant economic opportunity for northerners, but not a huge bonanza that will rapidly provide employment for every northerner. Similarly, even multi-billion dollar revenues over a 25-year time frame may not be sufficient to fund all government transfers to and expenditures in the NWT *and* generate an enormous surplus. Some expectations may have to be adjusted accordingly.

Finally, the economic benefits of non-renewable resource development to Aboriginal communities will depend on the ability of individuals and businesses in those communities to position themselves for the opportunities that will become available. The report of the Joint Aboriginal-Industry Resource Development Workshop concluded that the non-renewable resource sectors are "the key vehicle of job creation for northerners."[6] As a cautionary note, however, it added that "past attempts to provide employment for northerners in the mining/oil/gas industry have had limited success, particularly for Aboriginal people."[7] Ensuring that Aboriginal communities are able to benefit from resource development is a major focus of the NRTEE's recommendations presented below.

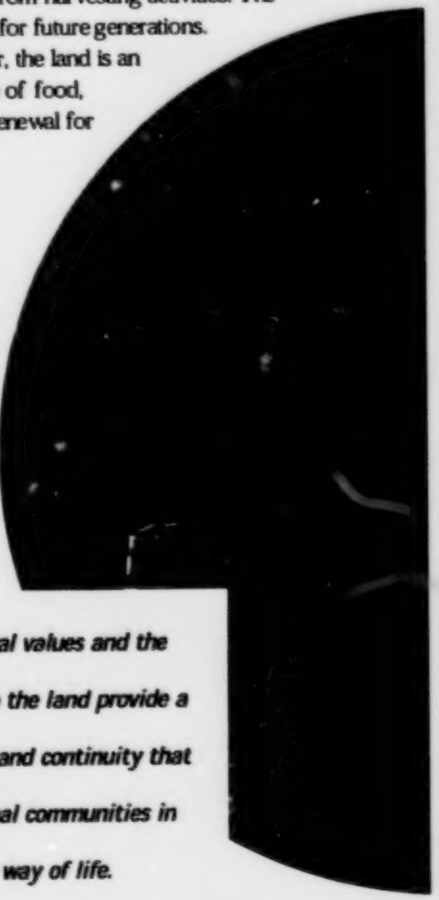
The economic benefits from non-renewable resource development in the NWT will be spread throughout Canada. The potential for direct employment, indirect economic opportunities and revenue flow to government is particularly significant for residents of the NWT. The magnitude of opportunity is not sufficiently large, however, that mining and the oil and gas sectors can solve all the NWT's economic problems. Employment benefits and revenue flows must be viewed against the needs of northerners in general and Aboriginal people in particular. These needs are considerable. Furthermore, non-renewable resource development also brings with it costs and risks that must be factored into any cost-benefit analysis.

Aboriginal Communities in the NWT — The Environmental, Cultural, Social and Political Context

From the perspective of Aboriginal communities, non-renewable resource development in the NWT presents a study in contrasts. It is both the bearer of great opportunities and the potential harbinger of devastating social influences that will forever change traditional Aboriginal communities. The opportunities offered by non-renewable resource development will only contribute to the sustainability of Aboriginal communities in the long run if this development is managed to take account of the unique environmental, cultural, social and political context in the NWT.

Aboriginal Communities and the Land

The land is at the centre of Aboriginal culture, tradition and identity. Aboriginal people have a strong sense of place, based on the daily and seasonal patterns of land-based activities that have been passed down from generation to generation. The land sustained their ancestors over thousands of years and continues to play an important practical, as well as spiritual, role in the lives of Aboriginal people today. Many Aboriginal households spend part of each year on the land and continue to rely on country food as a significant component of their diets, obtaining most or all of their meat and fish from harvesting activities. The land is also a legacy for future generations. If properly cared for, the land is an inexhaustible source of food, water and spiritual renewal for Aboriginal people.



Traditional cultural values and the deep connection to the land provide a source of strength and continuity that can assist Aboriginal communities in adapting to a new way of life.

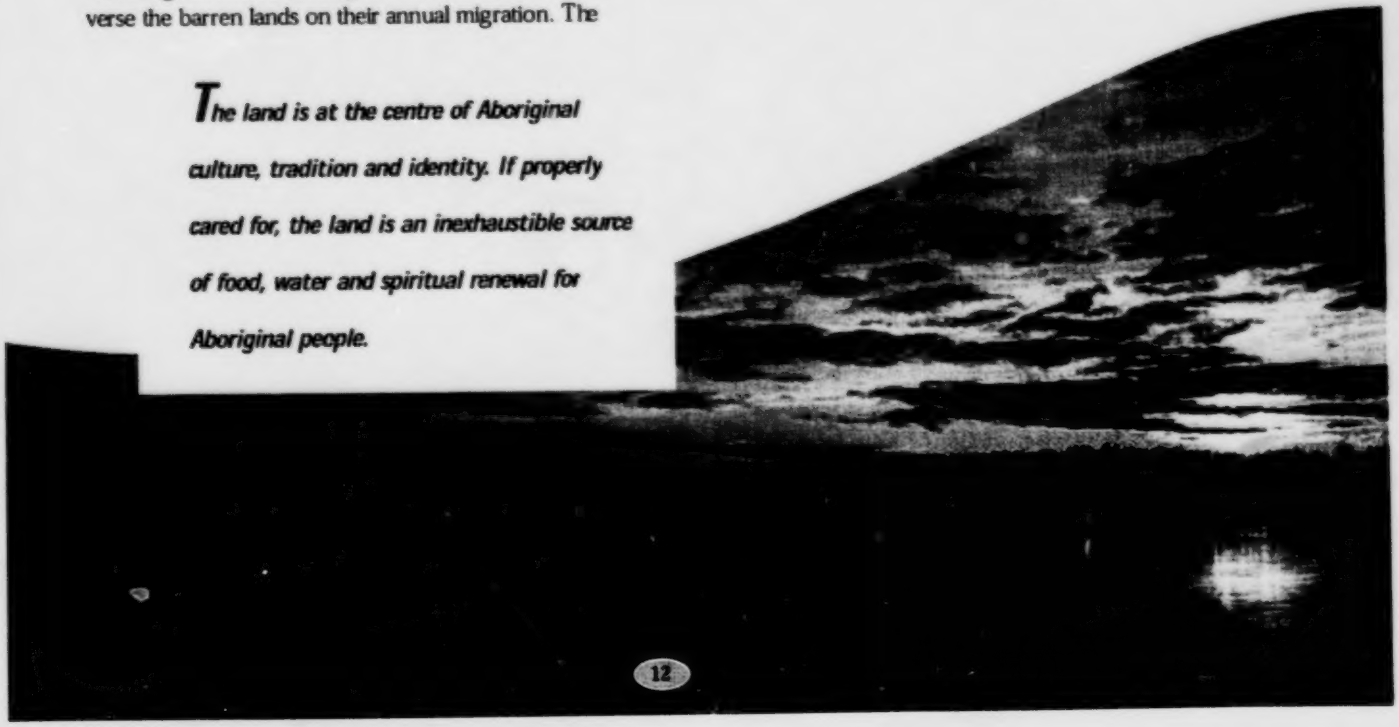
This profound attachment to the land leads Aboriginal people to be particularly concerned with protecting the physical landscape and biological diversity of the NWT. Caribou have a special spiritual and practical significance. All living creatures, however, are valued for their place within the complex web of life. This goal of protecting the North's unique and fragile environment is, of course, shared with all other Canadians who appreciate the splendour and biological richness of our northern land.

The NWT is a land of unparalleled natural beauty. Divided into seven ecoregions that extend from the 60th parallel to the Arctic Ocean, it has remarkable geographic and climatic diversity. Dense boreal forest in the south gives way in the northern NWT to the barren lands of the Arctic ecoregion, where vegetation is limited to tussocks, lichen and other low-growing plants. The majestic Mackenzie Mountains that form the territory's western boundary are the northern extension of the continental divide. Great Bear and Great Slave lakes, the fourth- and sixth-largest lakes in North America, have a combined area of 60,000 square kilometres. The Mackenzie River, flowing north for over 4,000 kilometres, is Canada's longest river.

This vast area is home to a tremendous variety and abundance of wildlife. Peary caribou, muskoxen, polar bears, arctic hares and beluga whales are among the mammals that inhabit the far North. Vast herds of caribou, including the 350,000-strong Bathurst caribou herd, traverse the barren lands on their annual migration. The Mackenzie Mountains are home to woodland caribou, Dahl's sheep, grizzly and black bears, lynx, martens, golden eagles and a variety of small birds and mammals. At the mouth of the Mackenzie River, one of Canada's largest deltas provides important habitat for muskrats and nesting waterfowl. Extending south from there, the entire Mackenzie Valley is a major migration corridor. In the southern boreal forest or taiga, moose, wolves, woodland caribou, lynx, red foxes and several types of weasel are found. Lakes and rivers in the NWT contain numerous fish species, including trout reputed to reach 60 pounds in weight and whitefish that continue to have an important place in the diets of many Aboriginal people.

Despite some striking but geographically limited examples of environmental degradation, most of the NWT remains in nearly pristine condition. External threats to the northern environment are, however, a major concern for many northerners. Global warming has the potential to alter northern ecosystems dramatically as a result of changing weather patterns, rising ocean levels, melting permafrost and offshore ice packs, forest fires and a host of other changes. Human activity, notably reliance on winter roads for vital transportation needs, is also at risk of significant disruption due to climate change. The long-range transport of persistent organic pollutants has already resulted in high concentrations of toxic chemicals in some species of Arctic animals and in the people who eat them.

The land is at the centre of Aboriginal culture, tradition and identity. If properly cared for, the land is an inexhaustible source of food, water and spiritual renewal for Aboriginal people.



The direct effects of non-renewable resource development are also a major concern, as illustrated by the intense interest in the environmental reviews of the BHP (Ekati) and Diavik diamond mines. Both mines are located within the range of the Bathurst caribou herd. Caribou are recognized as "the most important subsistence and cultural resource for indigenous arctic dwelling peoples." According to researchers Wolfe, Griffith and Wolfe,[8] studies conducted on the response of caribou to development may include individuals or groups of caribou 1) moving away from sources of disturbance, 2) increasing activity and energy expenditures as a result of disturbance, 3) delaying crossing or failing to cross linear structures (e.g., pipelines, roads, cleared seismic lines), 4) shifting their distributions away from areas of extensive and intensive development, and 5) being killed by collisions with vehicles or by hunting along roads. During the calving season, cows and calves are the most easily disturbed group. Bulls in general and all caribou during insect harassment are the least likely to avoid development areas.

While the physical footprint of each of the diamond-mining projects is relatively small, Aboriginal people are concerned about cumulative effects on caribou and water. They note that the impacts of these projects must be assessed, along with those from ongoing mineral exploration and the potential development of several additional mines and associated infrastructures over the coming years. Natural gas development in the Fort Liard region raises other cumulative effects issues, as would the construction of a natural gas pipeline and transportation corridor in the Mackenzie Valley. Further advances in understanding the implication of human disturbance to caribou, for example, will require cumulative effects assessment at annual, population and regional scales. The need for cumulative effects assessment work in the NWT is addressed in greater detail in Chapter 4 of this report.

There is no clear evidence to suggest that proposed non-renewable resource development in the NWT will necessarily have unacceptable environmental costs. In fact, many Aboriginal people strongly support this development and believe that the land can be protected at the same time through proper regulation and monitoring. They are not, however, willing to barter their land and the future of their children for a quick infusion of cash from the hasty depletion of non-renewable resources. One sentiment echoed by many Aboriginal people captures their essential environmental ethic when faced with development: "We want our diamonds and natural gas — but we want our caribou too."

Cultural Perspectives

Aboriginal communities feel torn between two worlds as they confront the prospect of increased non-renewable resource development. Aboriginal people see their traditional culture, languages and way of life as unique and valuable. Preserving their traditions is essential to individual and community well-being. At the same time, many Aboriginal people want development and the opportunities that accompany it. They see the need to return to traditional roots as a source of strength, while reaching out to embrace the new challenges that come with closer economic, social and cultural contact with non-Aboriginal society.

Aboriginal culture is inseparable from the land and from a traditional way of life that is based on hunting, trapping, fishing and gathering the bounty of the Earth. Elders within Aboriginal communities are the main holders of cultural values and are responsible for transmitting these values to younger generations. Many elders worry about the health and well-being of their youth and their prospects for sustaining themselves in the future. Many elders also fear a growing loss of the connection between young people and the land. As noted in the report of the GNWT's Economic Strategy Panel: "If youth don't have knowledge of the land, they may lose their culture and not be willing or able to assume responsibility for the land as adults."[9] For some elders, increased resource development and the influence of non-Aboriginal values seem likely to overwhelm Aboriginal culture.

Aboriginal youth, in contrast, talk more confidently of a future that involves non-renewable resource development. Many already have relatives or friends working in mining, oil and gas development or in related secondary industries. They are attracted by the fact that 21-year-olds can make $60,000 to $70,000 per year. Even if they do not want to work in non-renewable resource industries directly, they see that the benefits generated by development may open up new opportunities in the trades and in professions such as teaching and medicine. However, young people are also aware of the great hurdles that they must overcome to reach those goals. They talk of the drinking, drug abuse and related violence that are prevalent in their communities. In addition, they note such major difficulties as poor education, health problems and the loss of language and culture.

Aboriginal communities approach non-renewable resource development and the other changes occurring around them from a position of cultural vulnerability. Many people simply do not understand what is happening to their traditional way of life during this period of rapid and jolting change. At the same time, traditional cultural values and the deep connection to the land provide a source of strength and continuity that can assist Aboriginal communities in adapting to a new way of life. The challenge is to sustain the cultural fabric of Aboriginal society while developing the capacity to manage and benefit from resource development and the transition to a wage-based economy.

Social Issues in Aboriginal Communities

Aboriginal communities occupy an important place within the NWT. These communities confront many complex social issues as they consider an economic future based in part on non-renewable resource development. Research commissioned by the NRTEE gives the following perspective on these social dimensions.[10]

The NWT has a large area — 1.2 million square kilometres — and a small population. The 1996 census reports 39,672 residents, 48% of whom are persons of Aboriginal ancestry. The majority of these Aboriginal people are between 25 and 44 years of age.

Yellowknife, the capital of the NWT, is home to 44% of the territory's population and 18% of its Aboriginal residents. About 24% of the population lives in three communities with more than 2,000 people (Hay River, Inuvik and Fort Smith). Half of the people in these communities are of Aboriginal ancestry, and these people make up 25% of the NWT's Aboriginal population. One-third of NWT residents and 57% of the Aboriginal population live in the remaining 29 communities. With the exception of Norman Wells, Fort Simpson and Enterprise, these communities have populations that are 90% or more Aboriginal. Many of these communities are small and remote, with populations of less than 500 people.

The majority of Aboriginal people in the NWT thus live in small communities scattered across a vast land. In all communities except Yellowknife, Enterprise and Norman Wells, Aboriginal people make up half or more of the population. These demographic data, however, reveal only part of the social context within which non-renewable resource development is occurring.

The movement of Aboriginal people in the NWT from temporary and seasonal residences on the land to year-round permanent communities is relatively recent. This process began in earnest three to four decades ago, and virtually all Aboriginal people now live in permanent communities. The transition from a traditional and largely self-sufficient way of life based on family units living on the land has, not surprisingly, been a traumatic experience for many Aboriginal people and communities. The social dislocation arising from this transition is accentuated by the outside influences associated with the large-scale industrial development of non-renewable resources.

For almost three-quarters of the 20th century, Aboriginal communities in the NWT had no control over non-renewable resource development. This development, coupled with game shortages and the policies of the federal government:

- severed the interdependent economic relationship that had existed between Aboriginal and non-Aboriginal people in renewable resource harvesting activities;
- weakened the ability of Aboriginal communities to ensure the economic and social security of their members;
- produced an influx of non-Aboriginal people into the NWT and created communities with interests, laws and institutions that differed from those of Aboriginal people;
- widened the gap between the rich and the poor;
- helped to undermine the sense of place and security among Aboriginal communities; and
- provided a rationale for efforts to assimilate Aboriginal people in light of the poverty, marginalization, alienation and despair within Aboriginal communities.

The result was what one historian has described as "the development of two northern solitudes: two independent economies, two very different societies, and a significant power imbalance."[11]

The effects of this profound social and cultural dislocation are clearly evident from a number of indicators of individual and collective well-being in Aboriginal communities. Aboriginal people are worse off in many ways than non-Aboriginal people in the NWT and in the rest of Canada. On a per capita basis, Aboriginal communities have higher numbers of:

- accidental deaths, particularly due to injury and poisoning;
- persons with diseases of the respiratory, digestive and nervous systems;
- persons with disabilities, including Fetal Alcohol Syndrome and Fetal Alcohol Effects;
- persons with alcohol, drug or gambling addictions;
- children coming into care — many due to developmental delays, poor parenting and neglect or abuse;
- property and violent crimes, including spousal assault and child sexual abuse; and
- homes in need of major repair and persons with unmet housing needs.

This daunting array of social problems presents a major challenge as Aboriginal communities seek to position themselves to take advantage of opportunities presented by non-renewable resource development.

These problems are also a constant reminder of the legacy of social and cultural dislocation within Aboriginal communities that is linked, in part, to non-renewable resource development. A recent study conducted by Pricewaterhouse Coopers in the Fort Liard area, for instance, has shown that higher rates of alcohol consumption and alcohol-related crime have been associated with the recent increase of economic activity.[12] Non-renewable resource development now and in the future must be managed in a way that corrects, rather than perpetuates, this legacy.

Other socio-economic indicators reflect the effects of social upheaval and physical isolation as Aboriginal communities struggle to adjust to a world that is changing rapidly around them. While educational achievement is improving, less than one-quarter of Aboriginal youth graduate from high school compared with 81% of non-Aboriginal youth in the NWT. Almost one-third of Aboriginal people in the territory have not completed Grade 9 and are considered illiterate. Among non-Aboriginal residents, the rate is about 3%.

Unemployment rates among Aboriginal people tell a story of some progress, but continued difficulty in adapting to the wage economy. Between 1989 and 1999, the participation of Aboriginal people in the wage economy increased from 51% to 61% in small communities. This rate decreased in Yellowknife from 78% to 72%. Unemployment rates among Aboriginal people tend to decline as higher educational levels are achieved.[13] Among Aboriginal people with less than a Grade 9 education, the unemployment rate is 44%. Unemployment rates for Aboriginal people with high-school diplomas and university educations are 14% and 19%, respectively. Even among the best-educated Aboriginal people, however, the unemployment rate is about twice the NWT average. Unemployment rates for Aboriginal youth are particularly high.

High Aboriginal unemployment reflects all the factors noted above. Low levels of basic education and skills among Aboriginal people limit job options for many. Economic opportunities in small communities are few. Moving to a larger urban centre, however, is disruptive to social and family life. Some Aboriginal people are unable to make the transition successfully. Others cannot hold jobs because of the poor state of their physical and mental health. Drug and alcohol abuse frequently cause or contribute to these problems.

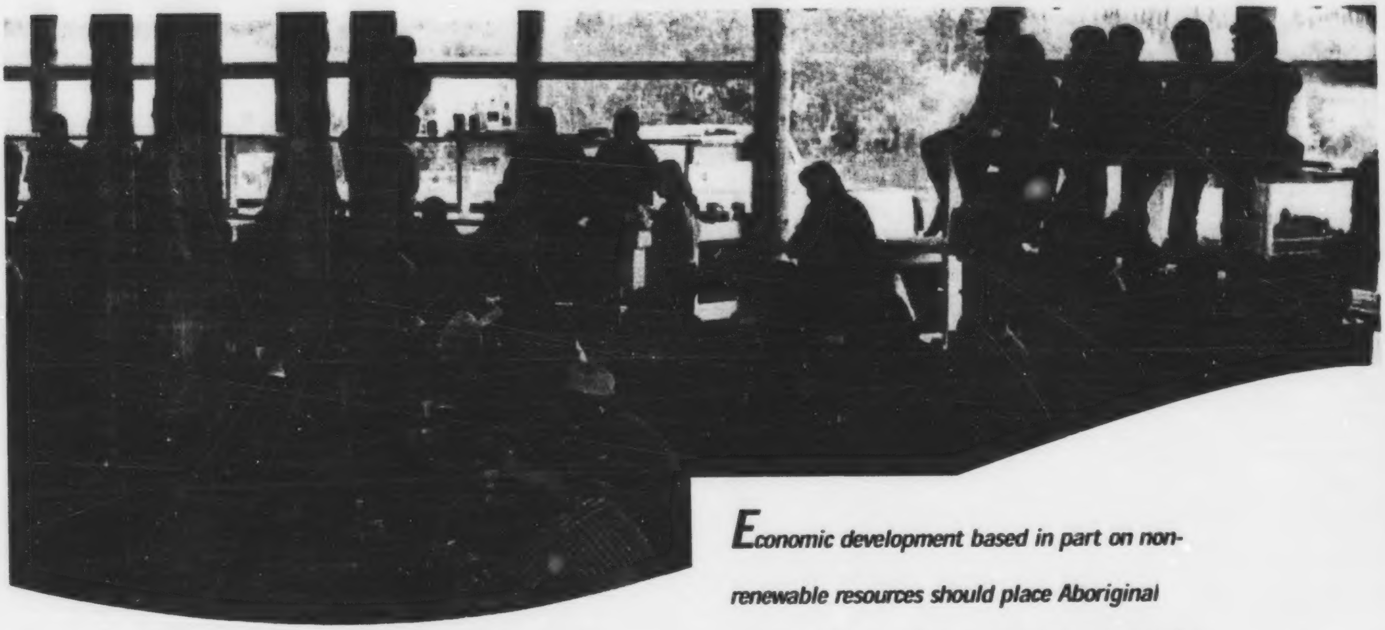
Not surprisingly, average personal incomes among Aboriginal people tend to be low and reliance on income support high. Some evidence suggests that eligibility requirements for social assistance are actually a disincentive for employment.[14] Subsistence hunting and fishing are relied on by many Aboriginal people to supplement income. These activities, of course, have important cultural significance in addition to their economic value.

Despite complex and disturbing social problems, the prospects for Aboriginal people and their communities in the NWT are far from bleak. There are many individual success stories. Educational attainment is increasing, and opportunities for scholarship support and employment, provided by the non-renewable resource sectors, are creating incentives for young people to stay in school. The challenges, however, remain significant and may only be overcome by commitments, as recently made by the Prime Minister of Canada, to actively promote social justice among Aboriginal people.[15]

Political Evolution

As Aboriginal communities confront the environmental, cultural and social issues related to non-renewable resource development, they can take considerable comfort from the remarkable political evolution that has occurred over the past several decades. Three key events in the 1970s signalled the beginning of a new political era for Aboriginal people in the NWT:

- the formation of Aboriginal political institutions, such as the Dene Nation;
- the legal recognition of the Dene's interest in 450,000 square miles of traditional lands in the Mackenzie Valley, and



- the Berger Inquiry, established to investigate the possible social, economic and environmental impacts of a natural gas pipeline in the Mackenzie Valley.

The Berger Inquiry is particularly significant for present purposes because it was the first public discussion of non-renewable resource development in the NWT. Mr. Justice Thomas Berger spent three years visiting every community in the NWT. Everywhere the message was the same: no pipeline until land claims are settled. Aboriginal people in the 1970s clearly stated that they wanted guarantees of land ownership, protection of their way of life and protection of the land, animals and environment before major development occurred.

Mr. Justice Berger issued his report in 1977. His principal recommendation was that the proposed Mackenzie Valley pipeline and other major development should be postponed for 10 years. Mr. Justice Berger recognized that the inquiry was not just about pipeline development, but also about the future of the North and its people. While he viewed the proposed pipeline as environmentally feasible, he predicted that "a Mackenzie Valley pipeline...if it were built now..would bring only limited economic benefits, its social impact would be devastating, and it would frustrate the goals of Native claims."[16]

The settlement of claims, Mr. Justice Berger concluded, is required "to establish a social contract based on a clear understanding that they [Aboriginal people] are a distinct peoples in history" and to provide them with a choice about the future.[17] Allowing pipeline development in the 1970s would have taken away that choice.

Economic development based in part on non-renewable resources should place Aboriginal communities in a better position to address the social, cultural and environmental issues that confront them.

The long-term impact of the Berger Inquiry is twofold. First, Mr. Justice Berger presented clearly and forcefully the argument that development should occur at a pace that the region and its people can sustain. In particular, he stated that Aboriginal people should be in a position to:

- determine the full environmental impacts of development;
- develop new programs and institutions;
- ensure economic diversification, including support for traditional Aboriginal economic activities; and
- ensure the settlement of claims.

He thus linked the acceptability of non-renewable resource development directly to Aboriginal capacity and political evolution.

Second, the Berger Inquiry signalled and encouraged a political rebirth among Aboriginal people. In the words of one commentator:

> *The most significant impact of the Berger Inquiry may not result from the recommendations passed on to the federal government concerning the proposed pipeline. The impact of the Inquiry itself, having uncovered and unleashed personal feelings, major social problems and the aspiration of an awakening people, might indeed be greater than that of any number of pipelines.*[18]

Almost 25 years later, this "awakening" has resulted in a set of land claim agreements in the NWT and the development of a new generation of Aboriginal institutions and leaders.

The conditions for development set out by Mr. Justice Berger are now well on their way to being met. Three land claims in the NWT are now settled: the Western Arctic (Inuvialuit) Final Agreement (1984); the Gwich'in Comprehensive Land Claim Agreement (1992); and the Sahtu Dene and Metis Comprehensive Land Claim Agreement (1993). The Dogrib First Nation signed an agreement-in-principle with the federal and territorial governments on January 7, 2000. This agreement breaks new ground by combining a land claim settlement with an agreement on self-government. Other groups within the NWT are at various stages of negotiating their claims. These groups include the Deh Cho First Nations, Akaitcho Territory (Treaty 8) and the South Slave Metis. The North Slave Metis Alliance, although not recognized by the federal government, is also interested in settling land claims. Several Aboriginal groups are pursuing self-government arrangements.

Added to this progress on land claims and self-government is the rapid evolution of political institutions and leadership within Aboriginal communities. While human and financial resources are still stretched far too thin, many Aboriginal communities have considerable internal capacity and access to outside expertise. Aboriginal people now occupy important positions in government and industry as well as in their own political organizations. Aboriginal development corporations have been established to promote economic diversification. Aboriginal people and their advisors are able to subject resource projects to intensive environmental scrutiny, as illustrated by their role in the project review and regulatory processes for the BHP and Diavik diamond mines. And the Premier of the NWT is an experienced Aboriginal leader.

This political evolution is perhaps the most important reason why many Aboriginal people now support non-renewable resource development in the NWT. Having established the basis for political self-determination, they are now in a position to move toward the economic self-sufficiency that is required to make that self-determination truly effective.

Summary — Non-renewable Resource Development as Viewed by Aboriginal Communities

The Aboriginal perspectives on non-renewable resource development in the NWT reflect the environmental, cultural, social and political contexts described above. Environmental concerns are a product of close links to the land and to traditional ways of life. Aboriginal culture depends on preserving the land and managing the social and economic influences that will come with development. Economic development holds the key to addressing some of the social problems that plague Aboriginal communities, but it also carries the risk of further social dislocation. Finally, Aboriginal people are convinced that their increased political self-determination should be used to ensure that greater self-sufficiency and economic diversification are promoted through the development of non-renewable resources.

Aboriginal communities are now more confident that non-renewable resource development can have benefits and that the risks can be managed. However, neither benefits nor manageable risks can be counted on. The challenge is to identify and implement the measures that are required to allow development to occur in a way that maximizes benefits while minimizing risks. In establishing the Aboriginal Communities and Non-renewable Resource Development Program, the NRTEE signalled its intention to address this challenge directly.

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program — Origins, Development and Goal

NRTEE member Cindy Kenny-Gilday first raised the challenges facing Aboriginal communities in Canada's North at an NRTEE plenary session in 1997. Ms. Kenny-Gilday spoke from first-hand experience as she explained the potential impacts of non-renewable resource development on the traditional way of life of her people and on the North's unique environment. She described a history of the benefits from development flowing south, leaving nothing behind but environmental liabilities and social disruption. Ms. Kenny-Gilday also explained the hopes of Aboriginal people for greater self-sufficiency and a better future for their young people. Proposed diamond mines and increasing oil and gas activity in the NWT added a sense of urgency to her message.

After hearing from several northern leaders, including Stephen Kakfwi, then-Minister of Resources, Wildlife and Economic Development for the NWT, the NRTEE endorsed Ms. Kenny-Gilday's proposal to initiate a program to examine the competing environmental, social and economic interests relating to non-renewable resource development and Aboriginal communities in the North. The first steps in the Aboriginal Communities and Non-renewable Resource Development Program included commissioning a background paper to identify key issues and undertaking a series of meetings with key players to confirm the direction to be taken. These steps occurred in late 1998 and early 1999 (see list of program participants in Appendix A).

A multi-stakeholder Task Force of NRTEE members and leading representatives of the various interests was then established to direct the program and conduct the required consultations.[19] The Task Force held its first meeting in September 1999 and established the following program goal:

> *To determine measures that Aboriginal people, industry, government, environmental non-governmental organizations and academics must implement to ensure that non-renewable resource development in Canada's North over the next 10 to 25 years supports economically viable, self-sufficient Aboriginal communities without compromising the ecological integrity of the environment or the retention of social structures and cultures.*

As noted above, the geographic focus of the program was restricted to the NWT in order to make the selection of issues and case studies more manageable. The NRTEE's intention from the outset, however, was to ensure that the lessons from this program would be applicable throughout the North.

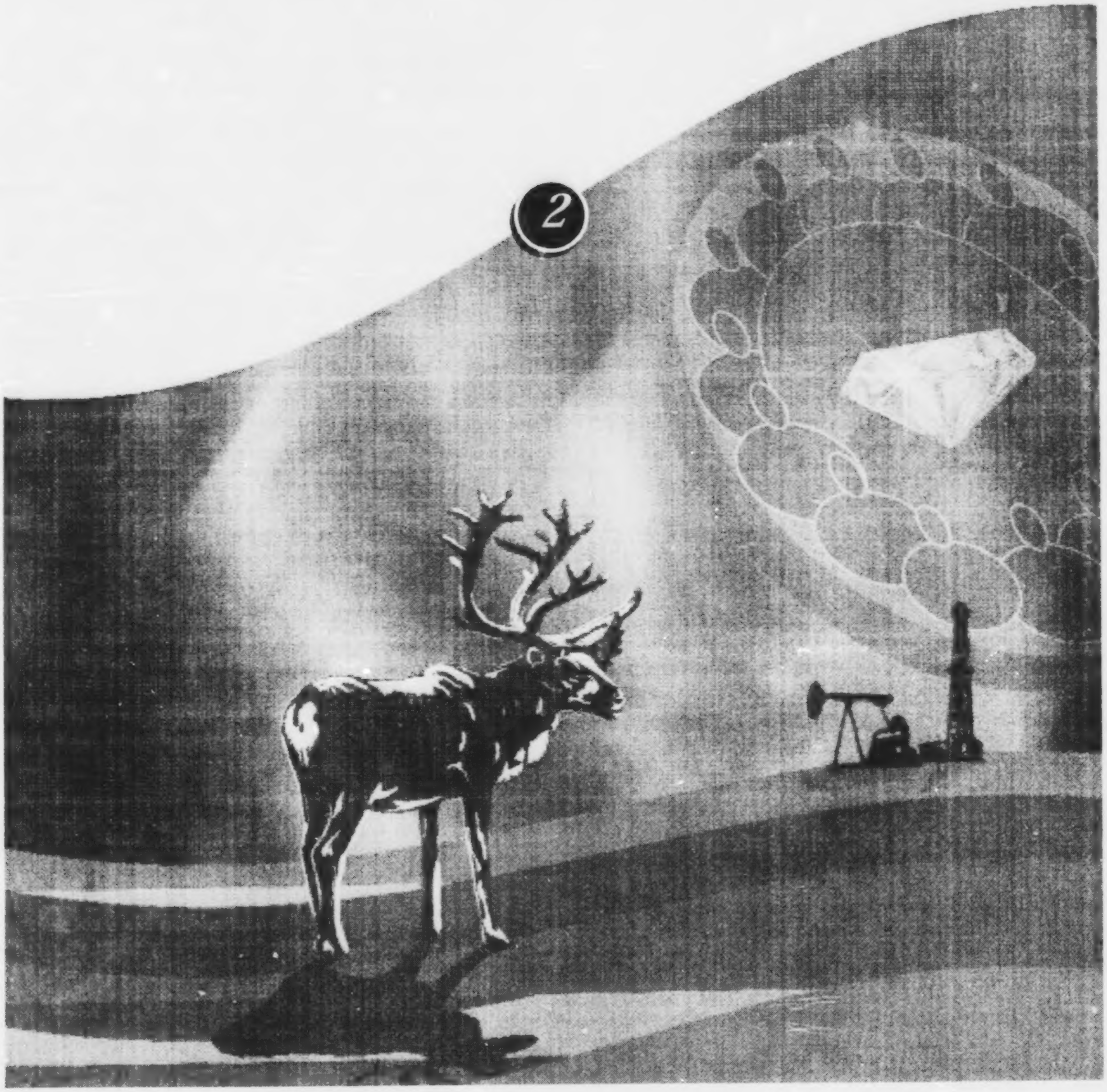
A 10- to 25-year time frame was selected for two reasons. First, the Task Force felt that many of the measures that should be taken *now* might only yield their full benefits over that period of time. A long-term perspective was necessary to avoid the temptation to adopt band-aid solutions to fundamental problems. Second, the Task Force wished to exclude consideration of immediate political controversies and project-specific issues. Again, the intention was to take a long-term view. It should be emphasized that 10 to 25 years is the time frame for achieving desired results, not for taking action. The Task Force recognized from the beginning the immediacy of the issues facing Aboriginal communities in the North. Given the current pace of non-renewable resource development, the pressures are real and growing. The NRTEE underlines the urgent need for rapid action on the recommendations presented in this report.

To better understand the complex issues surrounding non-renewable resource development and Aboriginal communities in the NWT, the Task Force commissioned a series of research papers[20] and undertook numerous consultations. The consultation process, in particular, served a dual purpose. One objective was to obtain input from Aboriginal people, government, industry, stakeholder organizations and other northerners regarding the Task Force's mandate. Also important, however, was the role of these meetings in raising the profile of the NRTEE's program and the issues that it addressed. Task Force members agreed that in addition to producing specific recommendations, a major objective of their work was to put the North "on the radar screen" of Canadians in general and of decision makers in Ottawa in particular.

On the basis of this research and consultation, the Task Force met in June 2000 to decide on its final recommendations. This report represents the views of Task Force members and the NRTEE as a whole on the principal measures required to achieve the goal of sustainable Aboriginal communities in the context of non-renewable resource development in the NWT.

Chapter Two

Toward Sustainable Aboriginal Communities — A Vision for 2010–2025



The NRTEE's recommendations for specific initiatives to support sustainable Aboriginal communities are the main focus of this report. Before turning to these recommendations, however, it is important to describe the broader vision that emerged from the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program. This section of the report outlines the principal components of that vision. It begins with a set of sustainability indicators for Aboriginal communities. A brief report on the status of those indicators in the NWT follows. The discussion then turns to the role of non-renewable resource development in promoting sustainability. Specific elements of the NRTEE's vision for sustainable Aboriginal communities are identified next. Finally, this section explains why partnerships and cooperation, along with strategic investment in key initiatives, are essential to achieving the NRTEE's vision of sustainable Aboriginal communities.

A Checklist of Sustainability Indicators

What does it mean for Aboriginal communities to be sustainable? Clearly, sustainability implies more than simply the ability of communities to persist over time. Sustainable communities exhibit economic, social, cultural and environmental viability over the long term. Adapting the Brundtland Commission's well-known definition of sustainable development, we can say that a sustainable community "meets the needs of the present without compromising the ability of future generations to meet their own needs."[21] Sustainability implies a certain quality of community life, not merely the fact of a community's existence.

There is no universal set of indicators that defines sustainable communities. The needs of present and future generations in each community will reflect its particular environmental, cultural, social, economic and political context. The NRTEE Task Force has identified the following checklist of sustainability indicators for Aboriginal communities in the NWT.

Economic Vitality

- Attractive business climate for all investors (e.g., clarity and certainty of regulations, access to current geoscience data)
- Local retention of benefits (i.e., in the North)
- Balance of traditional and non-traditional (i.e., wage) economies
- Economic diversification (i.e., not dependent on one sector)
- Capacity building for Aboriginal people (e.g., through education, literacy programs, high-school upgrading, training and opportunities for employment)

Environmental Integrity

- Preservation of ecosystem (i.e., intact, not at risk)
- Recognition and inclusion of traditional knowledge
- Minimization of pollution
- Identification and mitigation of cumulative effects (i.e., environmental, social, cultural)

Social and Cultural Well-Being

- Retention of Aboriginal traditions, culture, language and way of life

- Meaningful Aboriginal community participation (i.e., in all stages of a project's exploration, development and implementation)
- Capacity in Aboriginal communities to address health and social problems

Equity

- Equitable distribution of costs and benefits (e.g., within and among communities, between communities and developers, and across different economic interests and generations)

Control over Natural Resources

- Clearly defined system of governance that respects the rights of all people in the North and supports Aboriginal people's land claim settlements and control over natural resources

These indicators encompass the environmental, economic and social dimensions of sustainability. The importance of equity in relationships between individuals, groups and generations is also emphasized. Finally, the focus on governance and control over natural resources reflects the particular history and aspirations of Aboriginal people in Canada.

Status Report on Sustainability Indicators

The NRTEE's research and consultations show clearly that significant progress remains to be made on a number of key indicators in order to achieve sustainable Aboriginal communities in the NWT. The current status of these indicators is briefly summarized here.

Renewed activity in the oil and gas sector and new activity in diamond mining have provided what is for many Aboriginal communities the first significant opportunity to benefit from non-renewable resource development. The long-term *economic vitality* of Aboriginal communities continues to be problematic, however, because:

- the investment climate remains uncertain, with industry seeing the NWT as a high-cost, high-risk jurisdiction and expressing concerns about the complex and uncertain regulatory process and continually evolving ad hoc requirements;
- the lack of transportation infrastructure in the NWT impedes economic development — industry finds it difficult to move goods and services (e.g., Canada's first two diamond mines, million-dollar industries, must rely on the Lupin winter road, a temporary two-month ice road extending from Yellowknife to the mine site, to move equipment and supplies), and people find it difficult to access employment opportunities or potential tourism sites;
- Aboriginal communities often secure too few benefits from non-renewable resource development, with low literacy and skill levels being a particularly significant obstacle to Aboriginal involvement in the non-renewable resource sectors;
- a balance between traditional and wage economies has yet to be achieved in many communities, as individuals struggle to adapt to the demands of industrial employment while retaining their connection to the land and to their traditional way of life; and
- the abrupt decline in oil and gas exploration in the Mackenzie Delta and Beaufort Sea during the 1980s and the recent closure of gold mines in response to falling world prices confirm that Aboriginal communities remain vulnerable to the boom-and-bust cycles of resource industries and to the exhaustion of economic deposits at specific projects.

Concerns relating to *environmental integrity* reflect the past "legacy of liability" from resource development and the commitment of Aboriginal people and other northerners to ensure that these mistakes are not repeated. Progress on this indicator is evident in several areas. Project review and regulatory processes have been improved in order to better protect ecosystems and minimize pollution. Planning for the BHP and Diavik diamond mines involved many environmental studies, and both projects are subject to detailed regulatory requirements and environmental agreements. The recognition and inclusion of traditional knowledge is becoming more widely accepted, as illustrated by the West Kitikmeot/Slave Study.[22]

Further work is required, however, to collect baseline data and monitor for the long-term effects of development. Environmental integrity is also at risk because the cumulative effects of multiple developments may not be properly addressed through project-specific regulatory processes. As the pace of activity increases, cumulative effects will become an increasingly important issue.

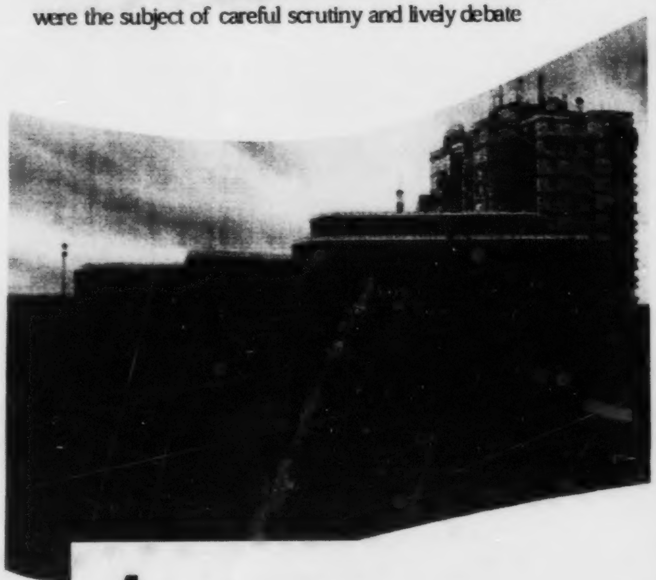
The discussion of social and cultural issues in the previous section of this report shows clearly that non-renewable resource development continues to have both positive and negative effects on the *social and cultural well-being* of Aboriginal communities. While economic activity is essential to address the demoralizing effects of poverty and underemployment in Aboriginal communities, non-renewable resource development and the transition to the wage economy often destabilize traditional family, social and economic arrangements. Retention of traditions and culture is increasingly difficult. Communities also face significant obstacles as they attempt to address the social and cultural impacts of development by participating in decision making. Many Aboriginal communities lack the human and financial resources to participate effectively in project review and regulatory processes and in the consultations and negotiations surrounding resource development.

Equity concerns arise because the costs and benefits of non-renewable resource development will inevitably be distributed unevenly unless mechanisms exist for redistribution and economic diversification. A failure to address these issues can be socially divisive when certain groups bear the costs of development but are excluded from the benefits. Progress in achieving a fairer allocation of benefits has been made through the settlement of land claims and through project-specific impact and benefits agreements. These arrangements may, however, produce disparities themselves if significant benefits accrue primarily to those communities located near major projects. More generally, there is a widespread view in the NWT that the flow of revenue from non-renewable resource development to the federal government is a source of inequity. This revenue, it is argued, should be retained in the North in order to promote community, regional and territorial self-sufficiency and accountability and to meet the costs associated with development.

Control over natural resources is the final indicator of sustainable Aboriginal communities. The key determinant of progress in this area is the state of land claims and self-government. Aboriginal people with settled claims have formal means of exercising a measure of control over the pace and scale of development on traditional lands. Where land claims and self-government issues remain unresolved, Aboriginal communities exercise less control. Even where claims are settled, significant impediments to this aspect of sustainability exist.

A concern shared by many NWT residents is that significant decision-making authority continues to rest with governments and institutions outside the North and not directly accountable to northerners. Even when decisions are made by northerners, significant challenges remain. For example, some of the new Aboriginal and northern institutions lack the highly skilled personnel and the funding necessary to discharge their responsibilities efficiently and effectively. The multitude of boards, agencies and processes for managing non-renewable resource development may also accentuate problems such as undue regulatory complexity, administrative inefficiency and personal burnout. The ability of Aboriginal people to exercise greater control over natural resource development will be hampered if the proliferation of consultation and decision-making processes overwhelms the limited human and financial resources of Aboriginal communities.

This brief status report suggests the need for policy initiatives in all the areas identified by the NRTEE's sustainability indicators. More generally, it highlights the complex relationship between sustainability and non-renewable resources. The NRTEE has assessed both the opportunities and the risks of a strategy to lever long-term sustainability through non-renewable resource development. The strengths and limitations of this strategy were the subject of careful scrutiny and lively debate



Aboriginal people clearly want programs within their own communities and value ongoing contact with family and friends as an important component of education.

throughout the NRTEE's consultations, research and Task Force deliberations. These discussions yielded a consensus that recommendations to improve the status of sustainability indicators must be based on a realistic assessment of the role that non-renewable resource development can play in support of the NRTEE's vision for sustainable Aboriginal communities in the NWT and elsewhere in northern Canada.

The Role for Non-renewable Resource Development

The magnitude of opportunity from non-renewable resource development in the NWT is substantial. As described earlier in this report, several thousands of jobs and billions of dollars of revenue will likely be generated by the mining, oil and gas, and pipeline sectors over the coming 10 to 25 years. Indirect economic spinoffs will also be significant. The precise amount of these direct and indirect benefits for the NWT in general and for Aboriginal communities in particular will depend on the ability of northerners to take advantage of employment and business opportunities and to retain control over a significant portion of resource revenues.

The earlier discussion of social issues affecting Aboriginal people shows that non-renewable resource development has the potential to provide much-needed employment and economic opportunities. If the risks are properly managed, non-renewable resource development could be used to lever a sustainable future for Aboriginal communities.

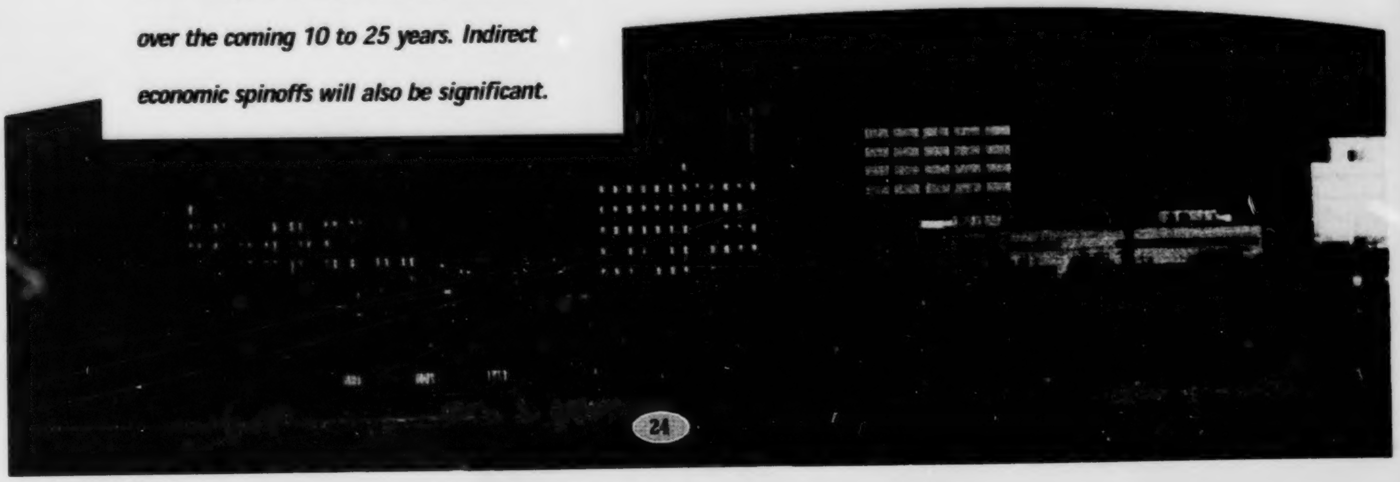
> ***Several thousands of jobs and billions of dollars of revenue will likely be generated by the mining, oil and gas, and pipeline sectors over the coming 10 to 25 years. Indirect economic spinoffs will also be significant.***

The NRTEE is convinced that the responsible development of non-renewable resources in the NWT offers a unique opportunity to generate significant economic activity that is consistent with the social, cultural and environmental values that underpin Aboriginal society. In fact, economic development based in part on non-renewable resources should place Aboriginal communities in a better position to address the social, cultural and environmental issues that confront them. All three elements in the sustainability triad of economy, society and environment are closely interrelated and mutually supportive. In particular, an economically impoverished people will be hard pressed to make progress on social and environmental problems.

The NRTEE's optimism regarding the contribution of non-renewable resources to sustainability should not, however, be misinterpreted. Non-renewable resource development will not solve all of the problems facing Aboriginal communities, nor will it meet the needs of all northerners.

Some Aboriginal communities will be far from oil and gas or mining projects and may therefore receive few direct benefits. In other cases, the economic focus of communities may be on traditional activities such as subsistence hunting and trapping or on opportunities provided by tourism, crafts and commercial renewable resource harvesting. Some individuals in Aboriginal communities — as in the rest of Canadian society — will not aspire to careers in mining, the oil and gas industry or related businesses. Others may, despite their best efforts, fail to secure employment in these sectors.

Non-renewable resource sectors are also characterized by boom-and-bust cycles — as northerners are well aware from direct and recent experience. While some forecasts for diamond mining and the development of



oil and gas reserves suggest significant economic potential over many decades, voices of caution should not be ignored. These commodities trade within international markets that respond to global competitive forces and powerful producer cartels. Both of these market characteristics entail potential risks. Opportunities today could disappear down the road as a result of a general economic downturn, unexpected increases in global supply, changes in consumer preferences, the emergence of substitute products, regulatory restrictions, the collapse or erosion of a cartel's ability to discipline producers and a host of other factors. The lessons of history are clear. Sharp downturns in non-renewable resource industries are not inevitable, but they can never be ruled out completely.

The relative importance of non-renewable resources within the northern economy is another factor to be noted. In 1999, approximately 43% of the jobs in the NWT were in government, health and education.[23] The service sector also accounted for over 40% of employment, divided between transportation and communications, retail and wholesale, and other services. In contrast, about 6% of the territory's jobs were in the mining industry, with other primary sectors generating less than 1%. These figures for direct employment do not, of course, show the percentage of government and service jobs supported by resource-based economic activity. It is also true that non-renewable resource development plays a key role in the NWT's private sector and is a significant wealth generator. Nonetheless, the public and service sectors will continue to be the largest employers by far in the NWT. The potential for non-renewable resource development to transform the northern economy is correspondingly limited.

Finally, the fact that non-renewable resources are *non-renewable* has obvious implications for their role in support of sustainable Aboriginal communities. The most accessible and economically viable mineral deposits and oil and gas reserves will inevitably be depleted within a finite period of time. Improving market conditions, global scarcity of key resources and the NWT's tremendous mineral potential may, however, be sufficient to ensure a steady supply of new projects over many decades. Non-renewable resource industries in the NWT are therefore viewed by some people as economically sustainable over the long-term. If the social and environmental impacts of these industries prove to be manageable, they may meet broader sustainability criteria from the perspective of decision makers concerned with current economic, social and political issues. The timelines used by today's business leaders, policy makers and planners are not, however, the only ones that are relevant. For Aboriginal communities whose commitment to the land is measured over seven generations, careful consideration of what will happen after non-renewable resources are gone is both inevitable and desirable.

For all these reasons, the NRTEE recognizes that non-renewable resource development is not a panacea for the NWT in general or for Aboriginal communities in particular. Initiatives to promote activity in the non-renewable resource sectors should be situated within a broader strategy directed toward economic diversification and the careful management of the NWT's precious — and potentially inexhaustible — endowment of renewable resources. Nonetheless, the NRTEE's decision to focus on non-renewable resource development reflects a judgment that, at this point in the NWT's history, the mining and oil and gas sectors can provide key economic support for the long-term sustainability of Aboriginal communities.

Specific Elements of the NRTEE's Vision

The NRTEE's vision for achieving sustainable Aboriginal communities over the next 10 to 25 years includes specific improvements in the key sustainability indicators outlined above in the section A Checklist of Sustainability Indicators. These improvements focus, in most cases, on the link between sustainability and non-renewable resource development. For each area, key objectives can be identified as follows.

Economic Vitality

- an improved investment climate brought about by a reduction in the risks, costs and uncertainties of resource exploration and development in the North;

- greater capacity among residents of Aboriginal communities, so that they have the basic literacy, the formal education, the technical/professional training and the business skills and capital to enable them to participate at all levels in development; and
- improved mechanisms to maximize Aboriginal employment and business opportunities from resource development and to direct resource revenues to capacity building and economic diversification.

Environmental Integrity

- improved baseline data and ongoing monitoring of the effects of development; and
- the systematic evaluation of individual projects using a well-developed framework for managing cumulative effects, which includes the use of both traditional and scientific knowledge.

Social and Cultural Well-Being

- development that occurs at a pace and scale that reflects the wishes of Aboriginal communities and other northerners as they balance social, environmental and economic objectives, bearing in mind the economic drivers behind industry's investment decisions; and
- the consideration of social and cultural impacts in all decision making on resource development, so that Aboriginal people can be involved in non-renewable resource development while maintaining a stable social and cultural life in communities.

Equity

- the use of resource revenue to support territorial self-sufficiency, Aboriginal self-government and community capacity to address the costs and opportunities of development; and
- economic diversification, redistribution and the staging of development so as to spread the benefits of development and ensure ongoing economic and social stability for communities.

Control Over Natural Resources

- increased self-determination for Aboriginal communities and other northerners, through the location of primary decision-making authority and accountability in northern institutions that achieve a balance between community, regional and territorial governance and through greater northern input into existing decision-making authorities; and
- Aboriginal capacity to participate effectively in all processes related to the planning, approval and carrying out of non-renewable resource development.

Measures to implement this vision would result in significant progress on the principal sustainability indicators identified by the NRTEE. The recommendations described later in this report are intended to achieve this objective. The final components of the vision that underlies these recommendations are two key themes that were raised repeatedly throughout the NRTEE's consultations. These themes are 1) the importance of partnerships and improved cooperation and 2) the need for strategic investment to promote non-renewable resource development and sustainable Aboriginal communities.

Partnerships and Cooperation

The conditions required for sustainable Aboriginal communities can only be put in place through the coordinated efforts of governments, Aboriginal people, industry and other key players. Acting alone, none of these groups has the ability to do the job. Formal partnerships and informal cooperation are essential.

At the political level, a strong and continuing partnership between the Aboriginal, territorial and federal governments will be needed over the coming decades. Regardless of the progress on devolution and Aboriginal self-government, jurisdictional and financial realities make it inevitable that all three orders of government will have important contributions to make for the foreseeable future. The dissipation of time, financial resources and goodwill through interjurisdictional rivalry and uncoordinated action can only undermine efforts to secure a better future for Aboriginal communities and for all residents of the NWT. The time has come for a genuine partnership among all governments in using non-renewable resource development as a tool for building sustainable Aboriginal communities.

A strong intergovernmental partnership is not, however, sufficient. Industry also has a key role to play. Private sector investment is the motor of a sustainability strategy based on non-renewable resources. Industry has both the expertise and the financial resources to contribute significantly to maximizing the benefits and minimizing the risks of development for Aboriginal communities. Harnessing this potential requires a partnership that facilitates communication, coordinates initiatives and ensures accountability. Most importantly, the appropriate roles and responsibilities of industry, government and Aboriginal organizations should be clearly defined.

The network of partnerships must also include a range of other key players, notably community representatives and the non-governmental organizations that speak for various interests within society. These individuals and organizations have a wealth of expertise on environmental, social, cultural and other matters. They should be formally included in consultations and decision-making processes.

Participants in the NRTEE's consultations underlined a number of specific benefits from partnerships and cooperation. These benefits include:

- capitalizing on complementary expertise and perspectives;
- avoiding duplication of effort;
- pooling financial resources in support of common initiatives; and
- ensuring inclusiveness and transparency in decision making — notably by reducing the likelihood of "backroom deals."

The NRTEE's policy recommendations, discussed later in this report, provide concrete illustrations of how these benefits can be achieved.

The NRTEE is not unique in its focus on partnership and cooperation. These themes figure prominently in the Department of Indian Affairs and Northern Development (DIAND)'s sustainable development strategy[24] and in *Gathering Strength — Canada's Aboriginal Action Plan.*[25] The GNWT's Economic Strategy Panel identified the promotion of partnerships between Aboriginal and non-Aboriginal groups and corporations, between the public sector and the private sector, and between communities and regions as one of its guiding principles.[26] Partnership is the key to the GNWT's Non-renewable Resource Strategy.[27]

The report of the Joint Aboriginal-Industry Resource Development Workshop also underlined the "pressing need to integrate the efforts of all key players to ensure that maximum benefits from development of mining/oil/gas resources accrue to Aboriginal groups and northerners alike."[28] Noting that there is "no coordinated approach to developing federal and territorial economic development programs which significantly involve industry and Aboriginal key players," the report includes an unambiguous appeal for greater cooperation and partnerships in support of northern economic development.[29]

In keeping with the spirit of cooperation and mutual respect that was evident throughout the Aboriginal Communities and Non-renewable Resource Development Program, the NRTEE firmly believes that strong partnerships are essential to achieving sustainable Aboriginal communities in the NWT. The key policy recommendations presented below all reflect the need for an ongoing commitment to these partnerships among governments, industry, Aboriginal communities and other key players.

Strategic Investment

Partnerships and cooperation are needed to achieve the NRTEE's vision of sustainable Aboriginal communities, but they will not always be enough. In many instances, money will also be required. The importance of seizing opportunities for strategic investment was a recurring theme throughout the NRTEE's consultations and is reflected in all of the resulting policy recommendations.

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Initiatives to promote activity in the non-renewable resource sectors should be situated within a broader strategy directed toward economic diversification and the careful management of the NWT's precious — and potentially inexhaustible — endowment of renewable resources.

The use of the term "strategic investment" is no accident. Funding should be strategically directed to processes and policy initiatives that meet specific needs of Aboriginal communities in the context of non-renewable resource development. The need for a clear strategic focus is explained as follows in the report of the Joint Aboriginal-Industry Resource Development Workshop:

> *The current roster of government development programs lack a non-renewable resource development focus and do not recognize the strategic importance of mineral/oil/gas activities to future economic growth. ...The current federal and territorial policy base continues to focus on an "all things to all people" approach which has concentrated public funds on "wealth consumers" instead of "wealth generators". History has proven that broad programs attempting to give something to everyone have not worked, and that the impact is short lived*[30]

The disappointing record of some past initiatives — notably those directed to strengthening the economy of small communities — is also highlighted in the report of the Economic Strategy Panel.[31] This report recommends funding for a number of specific strategic initiatives in support of non-renewable resource development that are identical to NRTEE priorities.[32]

The description of these funding initiatives as "investment" is also fundamental to the NRTEE's policy recommendations. In all areas where additional funding is proposed, a sound "business case" can be made that expenditures now will yield significant positive returns for the NWT and Canada as a whole. The notion of a business case is based on four key arguments.

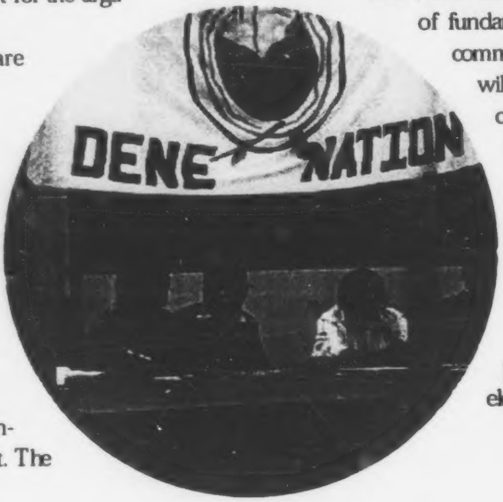
First, expenditures in key areas can facilitate non-renewable resource development, leading directly to a stream of royalties and taxes to government. Significant indirect economic spinoffs will also continue well into the future (e.g., geoscience programs and infrastructure development). Other initiatives that will improve the climate for investment, as well as benefiting Aboriginal communities, are proposed below. Expenditure that yields positive net financial returns to government through new royalties and taxes is clearly a good investment.

Second, strategic funding can produce a financial dividend by reducing the transaction costs of development — the unnecessary costs incurred by all parties as a result of uncertain and inefficient regulatory and negotiated processes. For example, expenditures to support consultation and cumulative effects management should reduce the costs in these areas for governments, Aboriginal communities, industry and other key players. Money saved in this way is available for other uses, thus providing a direct return on investment.

Third, funding for key initiatives now has the potential to reduce current and future expenditures in areas such as social assistance. For example, expenditures on education and training are likely to yield net benefits if the result is employment for a significant number of people who would otherwise collect social assistance. More generally, a concerted strategy to promote sustainable Aboriginal communities could reduce the long-term costs associated with the range of social problems that are now so prevalent in the NWT and throughout northern Canada.

Fourth, a strong case can be made that strategic expenditure now can prevent environmental and social problems that, if left unattended, will be much more costly to address in the future. The "legacy of liability" of abandoned mine sites in the North stands as a clear warning of the long-term costs of failing to take reasonable preventive measures. Expenditures in areas such as cumulative effects management and monitoring can help to ensure that development today does not impose a burden of environmental damage and unfunded liability on future generations.

Funding from government and industry will be required if the NRTEE's vision of sustainable Aboriginal communities is to become a reality. The flow of money will not, however, be one way. The economic potential of non-renewable resource development and the focus on areas where tangible benefits can be achieved provide strong support for the argument that the expenditures recommended by the NRTEE are strategic investments that will generate net positive returns.

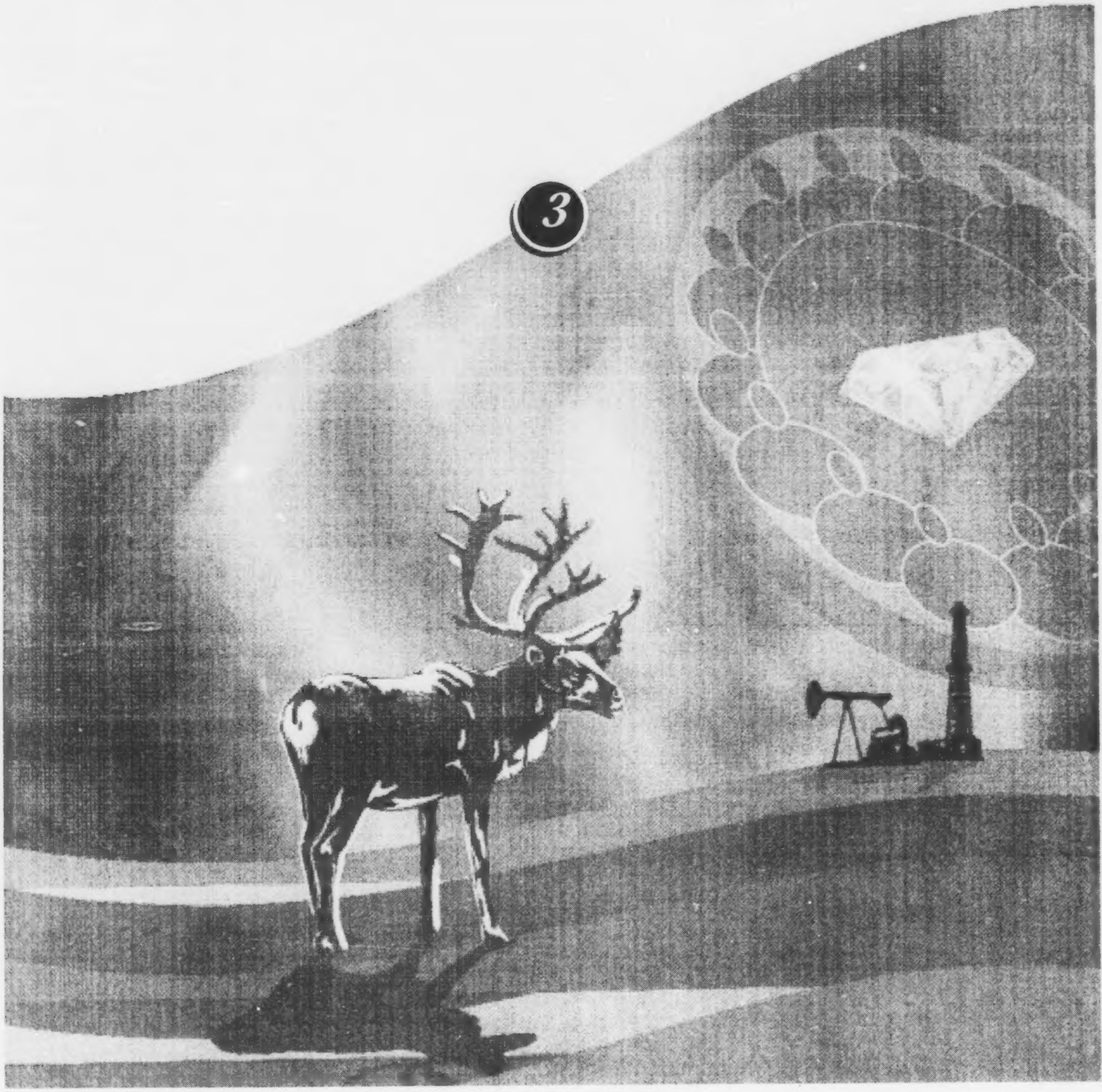


Implementing the Vision — The Political Context

The NRTEE's vision of sustainable Aboriginal communities over the next 10 to 25 years provides the basis for the specific recommendations presented in this report. The NRTEE is fully aware, however, that its proposals must be viewed against the backdrop of monumental changes in the political landscape of Canada's northern territories. Developments in two areas in particular will define the context within which the NRTEE's vision will be implemented. First, the negotiation and implementation of land claim and self-government agreements are of fundamental importance to Aboriginal communities throughout the North and will have direct political and economic consequences for all northerners. Second, profound changes in governance will follow from the devolution of powers by the federal government to territorial and Aboriginal governments. The next section provides a brief overview of the NRTEE's perspective on these two key elements of the political context.

Chapter Three

The Northwest Territories in Transition



The NWT's rapid political evolution has profound implications for the development of non-renewable resources and the emergence of sustainable Aboriginal communities. The creation of Nunavut in 1999 resulted in the emergence of a "new" NWT in the western Arctic. As noted earlier, the NWT has three settled land claims, one land claim and self-government process at the agreement-in-principle stage, and several others still to be completed. The devolution of authority over non-renewable resources from the federal government to territorial and Aboriginal governments continues to be actively discussed. At the same time, the regulatory framework in the NWT is evolving and maturing. The *Mackenzie Valley Resource Management Act* is being implemented, and there is ongoing experimentation with project-specific agreements on environmental and socio-economic matters. Finally, the process of securing meaningful Aboriginal participation in decision making is continuing through the implementation of land claim agreements and other initiatives.

This period of transition in the NWT has made for a challenging and fluid environment for the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program. It is also clear that fundamental changes will continue over the 10- to 25-year time frame used by the NRTEE Task Force. A key issue facing the Task Force was how to take account of this political evolution in its consultations and recommendations.

This section of the report highlights the importance of two key aspects of the NWT's political evolution for the NRTEE's vision of sustainable Aboriginal communities: the settlement and implementation of land claim and self-government agreements and the devolution of powers to northern governments. In both of these areas, there are indications of concrete progress and good intentions. The pace of progress, however, is too slow. The NRTEE believes that it is imperative for governments and Aboriginal organizations to address these issues with the appropriate sense of urgency. These fundamental changes in the governance of the NWT should not, however, stand in the way of immediate action on specific policy issues relating to non-renewable resource development and the sustainability of Aboriginal communities.

Land Claims and Self-Government

The settlement of land claims and the completion of self-government negotiations are universally viewed as pivotal events for both non-renewable resource development and the emergence of sustainable Aboriginal communities. Land claim and self-government agreements in themselves do not, of course, resolve all governance issues. Nonetheless, they establish the basic legal rights, institutional arrangements and political framework within which Aboriginal communities will develop their new relationships with governments, resource developers and other key players.

Land claim agreements are particularly important for non-renewable resource development and Aboriginal communities since they determine the extent of Aboriginal resource ownership and establish the institutions that guarantee meaningful Aboriginal participation in decision making. Conversely, the presence of unsettled claims creates a climate of uncertainty regarding the ownership and regulation of lands and resources. Significant improvements in a number of the NRTEE's sustainability indicators would be achieved simply by completing land claim and self-government processes throughout the NWT.

The importance of settling land claims in an expeditious manner was a recurring theme throughout the NRTEE's consultations, as it has been in other processes.[33] NRTEE Task Force members expressed strong views on this issue. Some argued that without settled claims, it will be difficult or impossible to make significant progress on many of the issues facing Aboriginal communities. At the same time, the urgency of these issues is such that waiting for all land claims to be settled before addressing them is not a satisfactory option.

A key objective in the NWT's political evolution is to ensure the meaningful participation of Aboriginal communities in the social, cultural, political and economic processes that are affecting them. Achieving meaningful participation involves more than simply signing land claim and self-government agreements. It also requires ongoing efforts to ensure that these new arrangements work as intended.

A number of Task Force members and other participants in the NRTEE consultations expressed frustration with what they see as a lack of progress in achieving this objective. Frustration appears particularly great when land claim agreements have been reached and other initiatives undertaken, but the expectations of Aboriginal parties have been not been met. Aboriginal people feel strongly that the spirit and letter of these agreements must be respected.

Successful implementation of land claim agreements and other arrangements designed to provide Aboriginal people with greater self-determination is a challenge that should not be underestimated. Ongoing efforts throughout implementation are necessary to resolve the inevitable ambiguities in these agreements. Cross-cultural communication will continue to be an issue, since the same words may have very different meanings when viewed from opposite sides of a cultural divide. The best efforts of parties to comply with their obligations may be frustrated by a lack of financial or human resources or by other circumstances beyond their control. Since the implementation of agreements is rarely the responsibility of those who negotiate them, an evolution in interpretation and application sometimes occurs. In some cases, parties simply fail to live up to their obligations.

The NRTEE wishes to underline the importance of achieving rapid progress on finalizing remaining land claim and self-government agreements. Ongoing attention to implementation issues will also be required. The NRTEE urges the federal government, the GNWT and Aboriginal organizations to work together to complete the negotiation of outstanding land claim and self-government agreements and to ensure the effective implementation of these agreements throughout the NWT.

Devolution of Power to Northern Governments

The devolution of authority over non-renewable resources from the federal government to territorial and Aboriginal governments is a matter of utmost importance to the NWT. The NRTEE's consultations suggest widespread agreement among Aboriginal people and other northerners that significant powers, along with the money needed to exercise them effectively, should be transferred from the federal government, based in Ottawa, to the NWT. Many northerners feel that too many decisions affecting their lives are made by people far away who are not directly accountable to them and who do not understand or experience northern realities in the same way as NWT residents.

These views received strong support from many NRTEE Task Force members, although it was noted that a continuing role for some existing decision-making bodies could provide a measure of certainty that industry considers valuable. Overall, however, the devolution of power to northern governments is recognized by the NRTEE as both desirable and inevitable.

There are, however, differing views on how best to proceed with devolution. The GNWT is strongly in favour of rapid progress on devolution, particularly in areas relating to non-renewable resource development.[34] Some Aboriginal organizations are more cautious, arguing that the place of Aboriginal governments within a more decentralized system of governance should be clarified before the federal government transfers significant powers to the GNWT. Both views were expressed during the NRTEE consultations and by Task Force members. The federal government has stated its commitment to proceed with devolution but appears to be looking for greater evidence of consensus within the NWT before moving forward.

Closely intertwined with jurisdictional issues relating to devolution are questions of program funding and resource revenue sharing. Northern governments will need increased funding to support their new responsibilities. In addition, non-renewable resource development in the NWT could generate a fiscal surplus through royalties and taxes. The allocation of that surplus among the federal, territorial and Aboriginal orders of government is a contentious issue. Given the magnitude of projected resource revenue flows over the coming decades, the stakes are high for all parties.

The NRTEE recognizes the significance of devolution to the ongoing political evolution of the NWT. Self-determination and self-sufficiency are fundamental aspirations of northerners. Devolution holds the promise of shifting greater authority and accountability to northern institutions. The NRTEE believes that a more decentralized system of governance, accompanied by the necessary investment in capacity building, will increase the ability of Aboriginal communities to achieve sustainability in the context of non-renewable resource development.

These important and sensitive issues are currently being addressed through the Intergovernmental Forum, an important new initiative for defining the future relationships among federal, territorial and Aboriginal governments. The NRTEE strongly believes that the devolution of authority over non-renewable resources to the NWT and Aboriginal governments should be actively pursued through processes such as the Intergovernmental Forum.

The Need for Immediate Action

The NRTEE's vision of sustainable Aboriginal communities is entirely consistent with the ongoing political evolution of the NWT. While the NRTEE has not examined this evolution in detail or provided specific recommendations on how best to complete it, the importance of "getting the job done" in the key areas identified above is clear to everyone. The profound transition currently occurring in the NWT should not, however, be used as an excuse for inaction in specific policy areas where the NRTEE's vision can be advanced.

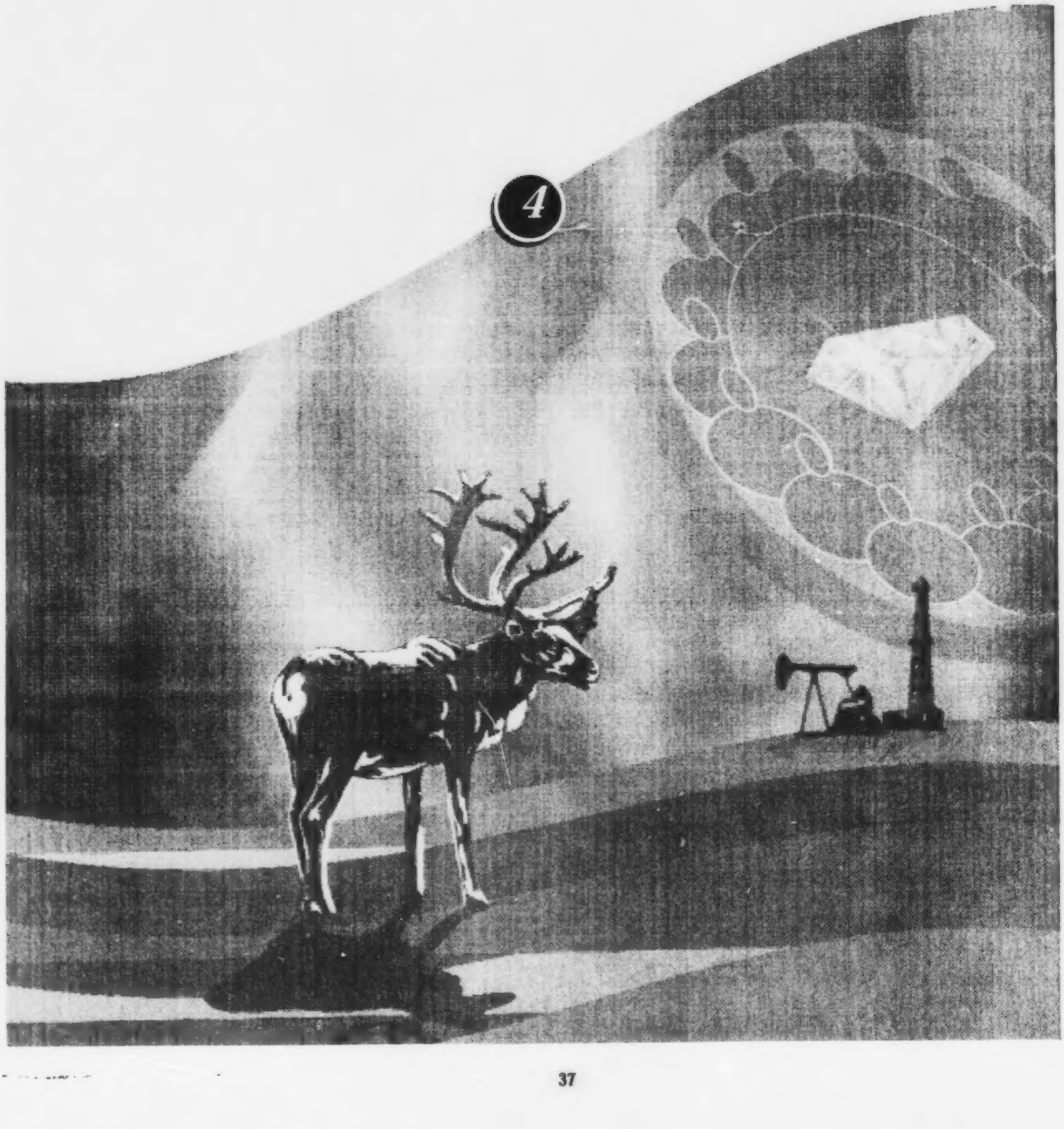
The need for immediate action is well recognized. When he was Minister of Resources, Wildlife and Economic Development for the NWT, Stephen Kakfwi underlined this point before the Economic Strategy Panel. The Panel reported that:

> *In our initial meeting with Minister Kakfwi in June of 1999, he stressed the importance of timing. Resource developments in the areas of oil and gas and mining were putting increasing pressure on the territorial government, the federal government, aboriginal governments and communities. Because economic events were overtaking the ability of residents to make informed decisions about their economic future, there was a need to act now.*
>
> *This was particularly true if we wanted to provide a secure future for our youth. In many communities, youth unemployment exceeds 40%. If we waited until a new government was up and running, or land claims were settled, or the new self-governments were firmly established, we might fail to meet the pressing needs of this generation.*"[35]

The NRTEE fully accepts the wisdom and urgency of this message. In this spirit, the rest of this report focuses on specific policy measures that can be initiated now — with the instruments of governance currently in place — to ensure that the development of the NWT's non-renewable resources promotes the NRTEE's vision of sustainable Aboriginal communities.

Chapter Four

Cumulative Effects Management



Cumulative effects management was identified through the NRTEE's consultations as essential for the sustainability of Aboriginal communities in northern Canada. The most significant risks from non-renewable resource development in the future are likely to arise from the cumulative environmental, social and cultural impacts of multiple exploration programs, mines, oil and gas facilities, and pipelines, along with the roads and other infrastructure required to support these projects. Managing cumulative effects also requires attention to the impacts of past and ongoing projects and activities when planning for new development. Aboriginal people and other northerners will need to take stock of the current state of the northern environment as they decide where they want to go with non-renewable resource development and how best to get there. Ensuring sustainable Aboriginal communities therefore requires a coordinated policy framework to address cumulative effects. The NRTEE's recommendations for cumulative effects management are intended to support important ongoing initiatives in this area.

The NRTEE recognizes that cumulative effects management does not encompass all environmental management. Broader land use initiatives, such as the NWT Protected Areas Strategy, will clearly have important implications for resource development and the protection of ecosystems in the NWT. The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program identified cumulative effects management as a particular priority given the pressing environmental and social issues raised by the surge of activity in the NWT's non-renewable resource sectors. There is no doubt, however, that the NWT Protected Areas Strategy and other land use planning and environmental management initiatives are also essential to maintaining the balance between environment, economy and society that is the hallmark of sustainable development.

The NRTEE also notes that improved cumulative effects management will not address the "legacy of liability" from the past. This important issue was identified early on in the Aboriginal Communities and Non-renewable Development Program and was raised at different times throughout the NRTEE process by representatives from Aboriginal organizations, environmental groups and government. Aboriginal people and other northerners are understandably concerned with the ongoing risks to the environment and to human health that are the result of non-renewable resource projects that were abandoned without proper reclamation. The NRTEE recognizes the urgent need to deal with contaminated and hazardous sites in the North and believes that significant funding is required to address this problem. In particular, cleaning up and reclaiming these sites will require a long-term financial commitment from the federal government that goes well beyond funding to conduct studies and compile inventories. The NRTEE's decision not to develop specific recommendations in this area reflects the primary focus of the Aboriginal Communities and Non-renewable Resource Development Program on the challenges of managing future development. This decision should not be interpreted, however, as an endorsement of the current situation regarding contaminated and hazardous sites in the North. The NRTEE is well aware of the gravity of this issue and has called for the development of a coordinated national strategy on contaminated sites in other recommendations.[36]

The Importance of Cumulative Effects Management

The environmental regulation of major non-renewable resource projects in the NWT has improved significantly in recent years. Individual projects are subject to closer scrutiny than ever before, as illustrated by the review processes for the BHP and Diavik diamond mines. There is no doubt that large-scale pipeline projects in the North would also be subject to comprehensive environmental reviews. Opportunities for public input are provided throughout project review processes, and the settlement of land claim agreements is laying the basis for a greater Aboriginal role in the environmental regulation of non-renewable resource projects.

Reclamation is another area where standards have improved. Mining companies now develop detailed reclamation plans and post large damage deposits to ensure that the costs of reclamation are adequately funded up front. This requirement constitutes a striking contrast with past practice in the NWT, as illustrated by the enormous unfunded liabilities created by the Giant and Colomac mines.

Improvements in the regulation of individual projects are always possible. Changes over the past few years in environmental assessment and in regulatory processes and requirements have, however, reduced the risks of catastrophic environmental harm from a single project. Looking to the future of non-renewable resource development in the North, the most significant remaining challenge is to address the cumulative effects of multiple projects and related activities. Even if the direct effects of each individual mine or producing gas well are within acceptable limits, the combined impact of numerous projects in a given area may be significant.

Cumulative effects occur when the impacts of individual projects or activities are added together, creating a bigger total effect. For example, if many small chemical spills in a lake or river each kill a few fish, the cumulative effect may be the elimination of the entire fish population. Cumulative effects can also occur when individual impacts interact in ways that create new and more significant effects. Chemicals released from two or more sources may combine in the environment to create a different and more toxic pollutant.

The term "cumulative effects management" is used here to include several related processes designed to identify, monitor and regulate the cumulative effects of development. Cumulative effects assessment generally refers to the evaluation of cumulative effects in the planning and environmental assessment processes that apply to individual projects. Cumulative effects monitoring consists of both baseline data collection and ongoing studies to identify changes in the environment resulting from multiple impacts.

The management of cumulative effects involves incorporating information from assessment and monitoring into decision-making processes. Decisions relating to cumulative effects can be taken at all stages of non-renewable resource development, from initial land use planning through to the regulation and reclamation of individual projects.

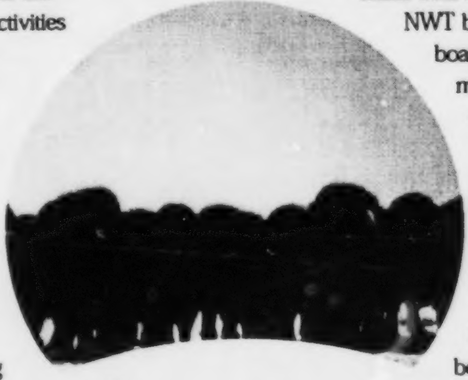
Companies wishing to lessen the impact of a pipeline and its related infrastructure on the caribou population, for example,[37] will have to consider how the sum or product of individual disturbances may lead to changes such as those in population performance (e.g., demography, size and distribution). Studies have shown that caribou crossings are less likely to occur where pipelines are elevated (especially under a certain height) and have underpasses (rather than buried sections), or where ramps are provided to enable the caribou to cross over the pipelines. However, group size, insect harassment and the combination of roads and traffic levels paralleling pipelines may interact to create additional deterrents to caribou pipeline crossings. Crossing frequency has been found to be lower when there is a road adjacent to a pipeline and traffic volume is high. Elevated pipelines that closely parallel roads with high traffic levels reduce crossing success.

The magnitude of opportunity for non-renewable resource development in the NWT brings with it a corresponding risk that multiple projects and activities may produce cumulative effects. Potential impacts on wildlife and water quality are of particular concern to Aboriginal communities. Managing development so as to minimize these impacts is necessary to preserve environmental integrity and to ensure that Aboriginal communities can achieve a balance between wage economies and their traditional land-based way of life. Cumulative effects management is therefore essential to protecting values that are fundamental to the NRTEE's vision of sustainable Aboriginal communities.

Obstacles to Cumulative Effects Management

Cumulative effects management is not a simple task. By definition, it requires attention to the impacts of multiple projects and activities that may occur within a large geographic area over an extended period. These projects and activities, in turn, are often subject to a variety of planning and regulatory processes. Insufficient data and scientific uncertainty regarding cause-and-effect relationships are common problems for cumulative effects management. Uncertainty regarding the objectives to be achieved is also common. Mechanisms may not exist to identify and reconcile the sometimes competing interests that may be affected by management decisions.

Cumulative effects management in the NWT must address all of these general problems. In addition, the environmental sensitivity of northern regions and the distinctive social and cultural characteristics of the NWT present particular challenges for cumulative effects management. The institutional context is also rapidly evolving. New agencies and processes for resource management have been created and are only beginning to develop the institutional capacity required to fulfil their mandates. More generally, the settlement and implementation of land claim and self-government agreements and the prospect of increased devolution are bringing important changes to the overall structure of governance. The NWT thus presents a complex and fluid environment for cumulative effects management.



Potential impacts on wildlife and water quality are of particular concern to Aboriginal communities.

Requirements for Successful Cumulative Effects Management

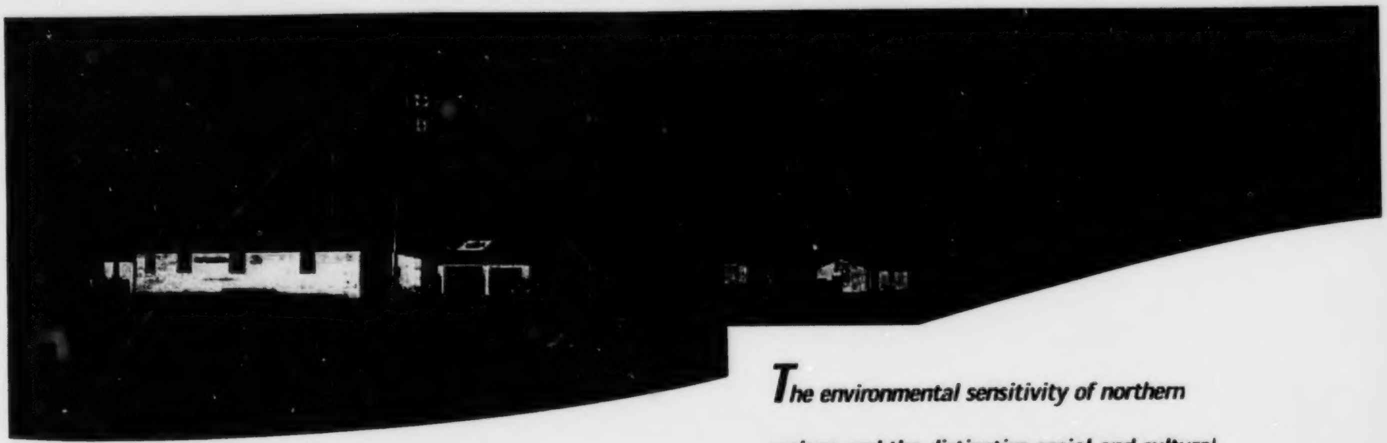
The NRTEE's consultations and commissioned research produced a number of suggestions for addressing the cumulative effects of non-renewable resource development within the NWT. The following issues should be addressed by any initiative in this area.

Coordinate and Consolidate Existing Initiatives

The coordination and consolidation of existing initiatives is fundamental to successful cumulative effects management. This role is particularly important in the NWT because of the proliferation of boards, agencies, processes and agreements that relate in various ways to cumulative effects management. For example, opportunities may exist to coordinate or consolidate project-specific, regional and territory-wide monitoring programs.

Coordination and consolidation of initiatives should result in better and more cost-effective cumulative effects management. Duplication of effort could be reduced, information gaps identified, and resources pooled to further common objectives. Demands on Aboriginal organizations, resource developers, government officials and other key players would be more manageable. An integrated policy framework for cumulative effects management would contribute as well to regulatory certainty by clarifying the role of project-specific cumulative effects assessment within environmental management as a whole. The data and policy guidance generated through a cumulative effects management framework would help project proponents to fulfil their obligations under environmental assessment legislation.

Cumulative effects management thus provides an opportunity to streamline and strengthen environmental planning and regulation in the NWT. Scientific studies, monitoring programs, regulatory and planning processes, and similar initiatives should be coordinated and, where possible, consolidated within the framework developed for cumulative effects management.



Respect Boards and Processes Established Through Land Claim Agreements and Implementing Legislation

The importance of cumulative effects has been recognized in the institutional arrangements and decision-making processes established under land claim agreements and through implementing legislation. In particular, aspects of cumulative effects management come within the mandates of boards established under the *Mackenzie Valley Resource Management Act*, notably the project review functions of the Mackenzie Valley Environmental Impact Review Board. Cumulative effects issues are also addressed under Part 6 of the *Mackenzie Valley Resource Management Act*, which provides for environmental monitoring and audits. Aboriginal people view claims-based institutions and processes as guaranteeing them an effective voice in decision making on land and resource management. This voice will be strengthened with the negotiation and implementation of self-government agreements. Cumulative effects management in the NWT must therefore respect and build on these arrangements.

Incorporate Traditional Aboriginal Knowledge

Recognition of the value of traditional Aboriginal knowledge is a key guiding principle of the West Kitikmeot/Slave Study, an important initiative described later in more detail (subsection Continuity for the West Kitikmeot/Slave Study). This principle is also widely recognized in environmental management initiatives and project review processes in northern Canada. Traditional knowledge should be considered along with Western science as a key ingredient of cumulative effects management.

Address Socio-Economic Effects

The NRTEE's vision of sustainable Aboriginal communities includes both environmental integrity and social and cultural well-being. Minimizing the risks of non-renewable resource development to Aboriginal communities requires attention to the full range of cumulative effects. The linkages among effects are particularly important to Aboriginal communities because social and cultural values are inseparable from the land and from traditional land-based activities. Environmental integrity is not just a value in itself; it is also essential to sustaining social and cultural well-being. As a result, the cumulative social and cultural effects of development on Aboriginal communities should be addressed along with other environmental (e.g., biophysical) effects as part of an integrated framework for cumulative effects management.

The environmental sensitivity of northern regions and the distinctive social and cultural characteristics of the NWT present particular challenges for cumulative effects management.

Identify Objectives, Benchmarks and Thresholds

Cumulative effects management requires more than scientific studies and monitoring programs. The ultimate objective is to use information on cumulative effects to make better decisions. Objectives, benchmarks and thresholds provide essential guidance to project proponents, decision makers and other interested parties when asked to take action on the basis of the information generated through cumulative effects assessment and monitoring. These indicators are also valuable to guide scientific research and monitoring. Cumulative effects management must focus on issues that make a difference and avoid the trap of attempting to study everything. A principal objective of cumulative effects management in the NWT should therefore be the identification of objectives, benchmarks and thresholds that can be used to guide baseline research, monitoring and development decisions.

Recent Proposals and Initiatives

Cumulative effects management is already a high-profile topic in the NWT. The GNWT's Non-renewable Resource Strategy includes a proposal to "establish a monitoring regime for both biophysical and socio-economic environments" and notes the need for baseline data collection, cumulative effects research and cumulative effects monitoring.[38] This initiative is intended to:

- enable better coordination of data collection;
- identify and fill gaps in regional monitoring and data collection;
- improve understanding of important cause-and-effect linkages related to development activities; and
- facilitate the establishment of regional and site-specific thresholds and carrying capacities.

The proposed monitoring regime will also contribute to the timely and consistent review of project proposals.

The Economic Strategy Panel also underlines the "urgent need to develop an overall cumulative impacts monitoring framework," given the large number of development projects that may come on stream in the NWT.[39] It notes that current monitoring programs tend to be site-specific and that large gaps exist in baseline environmental and traditional knowledge data. The Panel recommends the collection of baseline data needed for cumulative effects monitoring and states that "the data must be shared to increase the ability of communities and regions to monitor impacts."[40]

A number of important initiatives relating to cumulative effects are already at the planning or operational stages in the NWT. The Mackenzie Valley Cumulative Impact Monitoring Program (MVCIMP) has its origins in the Gwich'in and Sahtu land claim agreements and is required pursuant to the *Mackenzie Valley Resource Management Act*. This program is in the planning stage, with DIAND coordinating program design in collaboration with a working group consisting of federal and territorial government officials and representatives from the Gwich'in, Inuvialuit and Sahtu regions, as well as the Dogrib Treaty 11, Deh Cho First Nations, Akaitcho Treaty 8, North Slave Metis Alliance and the South Slave Tribal Council.

Environment Canada is studying and developing regional approaches to cumulative effects assessment and management under its Northern Ecosystem Initiative. The focus is on developing partnerships to assist in the creation of procedures and protocols that can be used in the establishment of regional cumulative effects assessment and management frameworks throughout the North.

There are also a number of more narrowly focused initiatives. The West Kitikmeot/Slave Study, discussed below (subsection Continuity for the West Kitikmeot/Slave Study), was established to address deficiencies in regional baseline information for the Slave Geological Province; it focuses on data that can be used to assess and monitor the cumulative effects of development. The Independent Environmental Monitoring Agency, established under the BHP Environmental Agreement, is responsible for monitoring environmental management of effects, including the cumulative effects, of the Ekati diamond mine. The DIAND's Coppermine River Cumulative Effects Water Monitoring Program adopts a transboundary, watershed-based approach to research and monitoring. Cumulative effects are also a major concern in the development of the Bathurst Caribou Management Plan.

The most significant initiative in cumulative effects management is the ongoing process to develop a Cumulative Effects Assessment and Management (CEAM) Framework for the NWT. The initial work plan for this initiative was submitted in April 2000. The purpose of the CEAM Framework is to:

> *...provide a systematic and coordinated approach to the assessment and management of cumulative effects in the NWT, reflecting the needs of various key players, without prejudice to land claims activities or existing legislation.*[41]

A steering committee to oversee development of the Framework has been established, with representation from the federal and territorial governments, Aboriginal organizations and governments, industry, environmental groups and the Mackenzie Valley Environmental Impact Review Board. The target date for implementing the CEAM Framework is April 2001.

The details of design and implementation remain to be worked out. The work plan indicates, however, that the CEAM Framework may include six basic components: vision, values and objectives; project-specific assessments; regional baseline studies and research; monitoring; environmental management strategies and actions; and auditing (including state of the environment reporting).

This initiative has received some funding from the federal government for the first year, but long-term funding has not yet been secured. Additional issues to be addressed include the institutional structure for implementing the CEAM Framework and the links with decision-making processes in the event that cumulative effects are detected.

Implementing Cumulative Effects Management in the NWT — NRTEE Recommendations

The NRTEE is convinced that an integrated framework for cumulative effects management in the NWT is needed now to ensure the sustainability of Aboriginal communities. The NRTEE's recommendations in this area are directed to supporting the development and implementation of the CEAM Framework.

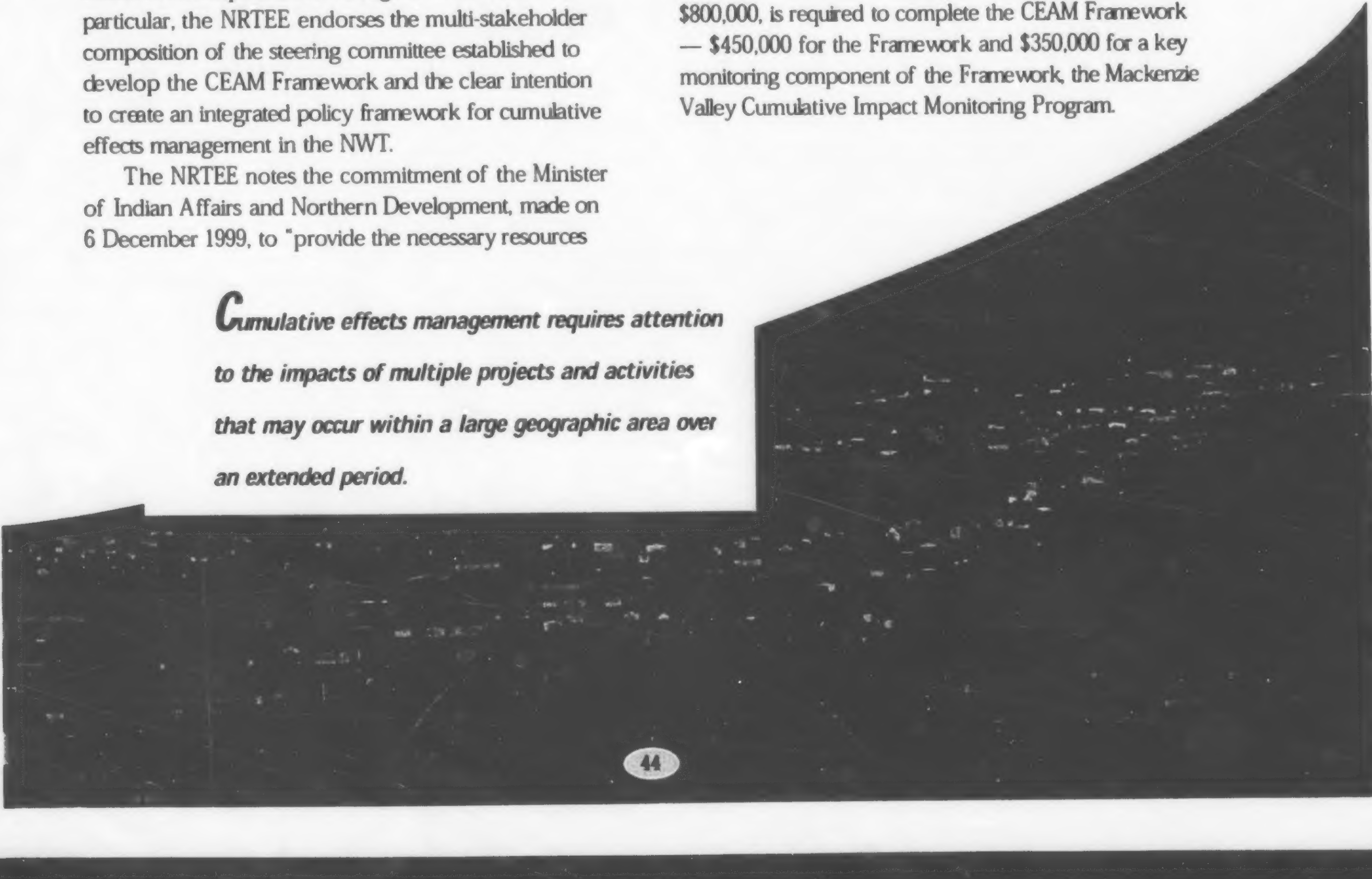
Funding for the CEAM Framework

The CEAM Framework has the potential to place the NWT on the cutting edge of cumulative effects management in Canada. The challenges facing this initiative should not be underestimated, nor should the need for good will and cooperation on the part of all participants. The NRTEE believes, however, that the CEAM Framework provides the most promising means currently available to address many of the risks of non-renewable resource development for Aboriginal communities. In particular, the NRTEE endorses the multi-stakeholder composition of the steering committee established to develop the CEAM Framework and the clear intention to create an integrated policy framework for cumulative effects management in the NWT.

The NRTEE notes the commitment of the Minister of Indian Affairs and Northern Development, made on 6 December 1999, to "provide the necessary resources to ensure that the recommendations emerging from the December workshop[42] are pursued effectively and a cumulative effects assessment and management framework is developed by April 2001."[43] A backgrounder issued at the same time as the Minister's statement confirmed the commitment of both DIAND and Environment Canada to secure the resources needed to pursue effectively the recommendations emerging from the workshop.

The CEAM Framework work plan of April 2000 was a direct outcome of the multi-stakeholder workshop held in December 1999. Although the work plan required a total budget of $780,000, the amount provided to the CEAM Working Group to complete the Framework was only $450,000. The NRTEE is concerned that this funding shortfall has undermined the efforts of the Working Group to develop the Framework by the April 2001 deadline. The CEAM Working Group has had to drop or curtail many of its planned activities, including its proposed consultation sessions, in order to ensure that at least the priority work plan components are addressed by April 2001. According to the CEAM Working Group, the adjustments to the work plan mean the April 2001 deadline cannot be met even if the required $300,000 arrives during the 2000–2001 fiscal year. Indeed, estimates provided to the NRTEE by DIAND indicate that a one-year extension, with a one-time funding allocation of $800,000, is required to complete the CEAM Framework — $450,000 for the Framework and $350,000 for a key monitoring component of the Framework, the Mackenzie Valley Cumulative Impact Monitoring Program.

Cumulative effects management requires attention to the impacts of multiple projects and activities that may occur within a large geographic area over an extended period.



In the long term, a significant amount of additional funding will be required not only to develop and implement an integrated policy framework for cumulative effects management in the NWT but also to support the multi-stakeholder process that is essential to the success of this initiative. DIAND estimates that implementation of the CEAM Framework alone will cost $2 million per year. Cost estimates for the MVCIMP are discussed below.

The NRTEE believes strongly that cumulative effects management provides a significant opportunity for strategic investment by government and industry. Money invested now will help to secure the information base and policy framework necessary to avoid costly mistakes in the development of non-renewable resources. If the cumulative environmental, social and cultural effects of development can be identified and mitigated, a major threat to the long-term sustainability of Aboriginal communities will have been addressed.

Strategic investment in cumulative effects management will also contribute directly to regulatory certainty, a key factor in improving the investment climate in the NWT. Support for baseline data collection and monitoring programs will reduce the costs of project planning and cumulative effects assessment for proponents. These initiatives could also help prevent a proliferation of project-specific agencies and scientific panels to monitor cumulative effects. Finally, the development of a policy and planning framework for cumulative effects assessment will address current uncertainty regarding the role of this process in environmental management and the appropriate allocation of roles and responsibilities between project proponents and government.

Strategic investment in cumulative effects management will yield direct benefits to governments, Aboriginal communities, industry, environmental organizations and other key players. Indirect benefits will flow to all northerners and to Canada as a whole.

Finally, baseline data are the essential raw material for cumulative effects management. The most promising current initiative in this area is the Mackenzie Valley Cumulative Impact Monitoring Program introduced in the section Recent Proposals and Initiatives. The MVCIMP Working Group is currently designing a community-based monitoring program, focused initially on the Gwich'in and Sahtu Settlement Areas. The program will eventually cover the entire Mackenzie Valley. When implemented, this valley-wide data resource will combine existing data sources, coordinate monitoring programs and provide feedback to communities. The MVCIMP will be capable of generating the baseline environmental data, analysis and information on traditional knowledge that is required by project proponents and others with an interest in cumulative effects issues.

The NRTEE believes that the MVCIMP is a vital component of cumulative effects management in the NWT and that it will make a major contribution to the monitoring component of the CEAM Framework. This initiative also reflects specific commitments made in land claim agreements and through the *Mackenzie Valley Resource Management Act*. The NRTEE is concerned, however, that sufficient funding to support this initiative has not yet been committed. Estimates provided to the NRTEE by DIAND indicate that funding of $3 million annually is required to expand and implement this program.

In summary, the NRTEE supports the development of the CEAM Framework and the closely linked Mackenzie Valley Cumulative Impact Monitoring Program and believes that they are essential to creating an integrated framework for cumulative effects management in the NWT. The NRTEE therefore recommends that:

① ***The Government of Canada should allocate a total of $25.8 million, over six years, to the Department of Indian Affairs and Northern Development and the Department of Environment to complete the development and implementation of an integrated policy framework for cumulative effects management in the NWT. This funding includes:***

- ***a total of $800,000 to enable the NWT Cumulative Effects Assessment and Management Working Group to submit a completed and comprehensive CEAM Framework and action plan by the end of the fiscal year 2001–2002 to the ministers of Indian Affairs and Northern Development and Environment; and***
- ***a total of $5 million annually for five years, starting in 2002–2003, to fund the implementation of the CEAM Framework — including the Mackenzie Valley Cumulative Impact Monitoring Program (at a cost of $3 million annually), the action plans for the North Slave and Deh Cho regions, and five-year audits (including state of the environment reporting) — and to meet the needs of the agencies that have key roles in monitoring and managing cumulative effects. This funding level should be reassessed after five years.***

Continuity for the West Kitikmeot/ Slave Study

The West Kitikmeot/Slave Study (WKSS) was established in 1995 as a partnership of Aboriginal and environmental organizations, government and industry. Its mandate is to provide baseline information, using both scientific and traditional knowledge, to support resource management decisions and to evaluate the effects of development in the area from Great Slave Lake to the Arctic coast. This area includes parts of both the NWT and Nunavut.

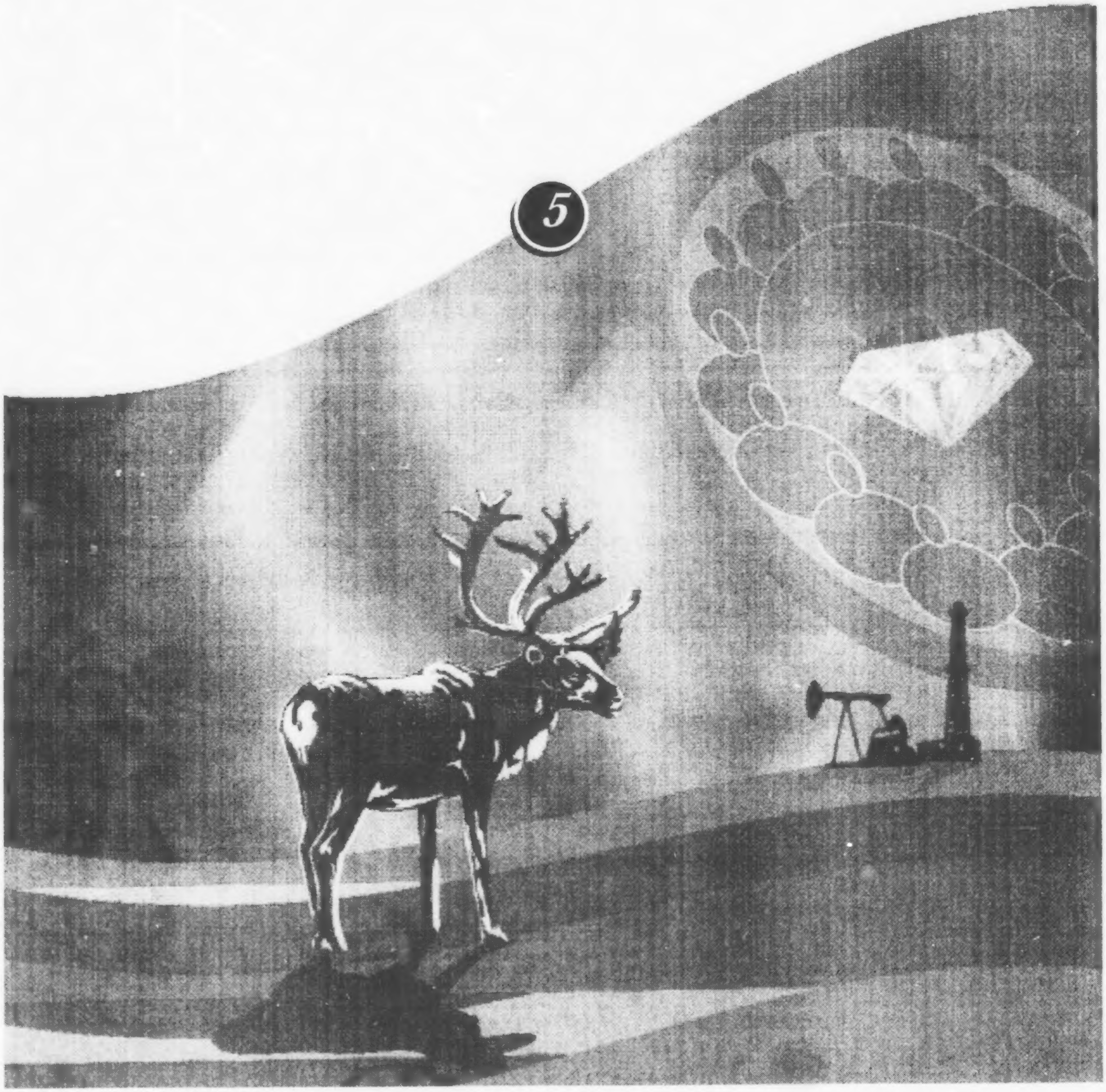
The initial funding commitment to the WKSS is set to expire 31 March 2001. The NRTEE Task Force, while recognizing that the fate of this organization and its work is an important issue for cumulative effects management in the NWT, did not reach a consensus on whether to recommend continued funding for the WKSS as it currently exists and to give it an expanded role in a new framework for managing cumulative effects. While some Task Force members strongly advocated continuation of the WKSS beyond its current term, others expressed concerns regarding the study's funding formula. It was also noted that the CEAM Framework is much broader than the current WKSS mandate and that lessons from the WKSS could be incorporated into the new arrangement for managing cumulative effects.

The valuable work undertaken by the WKSS, and its success as a partnership, was acknowledged, however, by all Task Force members. The Task Force also agreed on the importance of continuing key long-term studies, notably regarding the impacts of resource development on caribou. The significance of the caribou to the North and the need for continued work in this area have been highlighted in two sections: Aboriginal Communities in the NWT — The Environmental, Cultural, Social and Political Context; and The Importance of Cumulative Effects Management. Regardless of the final funding decision on the WKSS, the long-term studies that it initiated — such as research on caribou — should be continued as part of the baseline data collection and monitoring that are essential for cumulative effects management. In addition, a review and evaluation of the work undertaken by the WKSS should be undertaken so that the important lessons learned over the past five years can be applied to future initiatives. The NRTEE therefore recommends that:

❷ ***The partners in the West Kitikmeot/Slave Study (WKSS) should ensure the continuation of research being undertaken by the WKSS in support of cumulative effects assessment and monitoring by providing the necessary funding during the transition period between the end of the WKSS mandate (April 2001) and the establishment of a successor organization or initiative that is able to continue this research. The successor organization or initiative should be identified through consultations among the WKSS partners, the CEAM Framework partners and the Nunavut General Monitoring Program.***

Chapter Five

The Investment Climate for Non-renewable Resource Development



The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program was established on the premise that non-renewable resources can make a positive contribution to the sustainability of Aboriginal communities in the North. This section of the report presents a series of recommendations to ensure that investment — the lifeblood of economic activity in this sector — continues to flow into the NWT.

The Importance of a Favourable Investment Climate

A major challenge for a strategy that relies on non-renewable resource development to promote sustainability is to ensure that economic activity in the resource sectors continues over the long term. Ongoing exploration is essential to ensure new discoveries. Given the long lead time for major projects, the current level of exploration will be a significant determinant of economic opportunities 10 to 25 years from now. Responsible development should also be facilitated, since proven mineral reserves may remain undeveloped for many years — possibly indefinitely — if less expensive sources of supply are available.

It is true that strong commodity prices and the NWT's mineral potential have been powerful incentives for exploration and development in the diamond and oil and gas sectors in recent years. The fact remains, however, that the North must compete in a global market for the investment capital required for non-renewable resource development. The NRTEE believes that significant policy measures can and should be taken to help ensure the continued vitality of the NWT's non-renewable resource sectors. The bottom-line consideration is that, without the willingness of companies to invest in the NWT, the promise of long-term benefits remains simply a promise.

Obstacles to Investment in Non-renewable Resource Development

Throughout the NRTEE's consultations, industry representatives identified regulatory issues as the most important obstacles to increased investment in the NWT's non-renewable resource sectors. Industry is frustrated by a continually evolving regulatory regime that makes each new project a voyage into uncharted waters. The short history of diamond mining in the NWT illustrates this problem. The BHP and Diavik projects were each subject to different environmental assessment regimes, and subsequent development proposals will go through an entirely new process under the *Mackenzie Valley Resource Management Act*. Added to formal regulatory procedures are project-specific impact and benefits agreements, socio-economic agreements and environmental agreements, the requirements for which are not specified in either law or policy.

Even entering the regulatory process is a daunting prospect for many developers. Consultation obligations and procedures remain largely undefined, making it difficult to be certain who should be consulted and on what issues. Potential investors see a multitude of boards, agencies and processes, many of which are relatively new and inexperienced.

The NRTEE is convinced that regulatory complexity and uncertainty in the NWT constitute significant threats to the flow of investment capital into the resource sectors. There is an urgent need for the federal government, the GNWT, Aboriginal organizations and governments, industry and other key players to work together to improve the clarity and certainty of the regulatory regimes governing non-renewable resource development in the NWT.

Regulatory uncertainty is an unwelcome complication for project planning and development in the NWT, where development costs are high and two other significant handicaps hinder the region when competing for investment dollars. First, the erosion of geoscience capacity and mapping has undermined the North's ability to generate exploration activity. Second, the lack of adequate transportation infrastructure leads to tight time frames (i.e., as a result of a reliance on ice roads for ground transportation) and is a pervasive problem in northern Canada. In both of these areas, obstacles to investment in non-renewable resource sectors could be removed by placing the North on a level playing field with other jurisdictions.

Improving the Climate for Investment and Economic Development — NRTEE Recommendations

The NRTEE has identified three areas where initiatives could be taken to improve the investment climate for non-renewable resource development in the North. These initiatives focus on regulatory capacity, support for geoscience and geological mapping, and infrastructure funding. In addition, the NRTEE considered in some detail a proposal to alter the tax treatment of investment in northern Canada but did not reach a consensus on this issue. While the NRTEE is not making a recommendation in the area of tax policy, the two competing points of view are set out below.

Additional Funding for Boards Under the Mackenzie Valley Resource Management Act

The NWT is undergoing profound changes that inevitably produce instability in regulatory regimes. Some of this uncertainty will be addressed through land claim and self-government agreements. Once agreements are signed, however, there is a further period of transition and uncertainty. New regulatory and resource management boards must be established and gain practical experience. Implementation of the *Mackenzie Valley Resource Management Act* (MVRMA) is now in this transitional stage. While this legislation is a major step forward in creating an integrated regulatory and resource management regime based on land claims in the Mackenzie Valley, further effort will be required to ensure efficiency and predictability in practice.

Inadequate funding for the boards established under the MVRMA was identified as a significant problem by key players and researchers throughout the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program. The principal concern of industry is that overworked and understaffed boards and agencies will be unable to fulfil their responsibilities in an efficient, effective and timely manner. Without adequate funding and access to expertise, these new bodies may be overwhelmed by the number, size and complexity of non-renewable resource projects in the NWT. Delays and uncertainty in project planning and approvals will then be unavoidable.

Underfunding of these boards and agencies is also a concern for Aboriginal people and environmental organizations. The promise of greater involvement in decision making will prove to be a hollow one if the processes established to facilitate that involvement are unable to operate effectively.

Two systemic problems were identified as contributing to the funding difficulties of the new boards. First, funding is administered through DIAND's land claims implementation process, the focus of which is not on the operational needs of regulatory and resource management boards. Some key players recommended a separate "A-base" funding arrangement for MVRMA boards. Second, the funding for these boards appears to be insufficient, particularly given the increases in workload associated with major projects.[44] In fact, a frequently expressed concern is that the boards require both enhanced core capacity and additional flexibility to deal with surges in development activity.

In addition to funding for their internal operations, the MVRMA boards need financial resources to facilitate public involvement in their processes. This need is particularly acute for the Mackenzie Valley Environmental Impact Review Board, the entity responsible for environmental assessment under the MVRMA. Funding to support the involvement of public interest groups, Aboriginal organizations and other groups and individuals in project reviews is a widely accepted principle of environmental assessment in Canada. This type of funding — commonly referred to as intervener funding — reflects the values of public participation and inclusiveness that underlie environmental assessment processes. These processes are designed to identify competing values and interests relating to proposed developments and to subject proponents' plans to careful scrutiny. Although government resource managers and regulators often play a role in these processes, experience shows that the most intense scrutiny of projects often comes from non-governmental interveners.

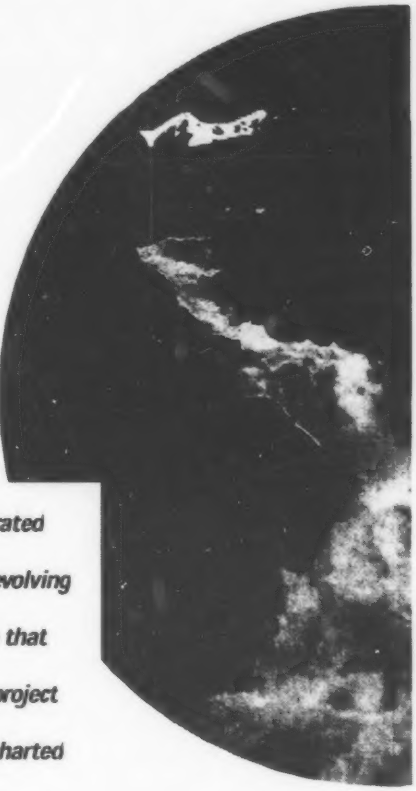
It is well recognized, however, that many individuals and organizations with an interest in proposed projects lack the resources to participate in environmental assessment on anything like a level playing field with project proponents and governments. Obstacles to effective participation are especially significant when projects raise complex technical issues and when other parties to environmental assessments have access to legal counsel and expert witnesses. Since participants in environmental assessment must generally substantiate their concerns through direct evidence or by cross-examining proponents on their environmental impact statements, a sophisticated knowledge of the issues and an ability to marshal information and arguments effectively are required. For many interveners, including Aboriginal communities, overcoming these obstacles requires time and money. All too often, both are in short supply.

Intervener funding is mentioned in some environmental assessment legislation. The *Canadian Environmental Assessment Act*, for example, contains an explicit requirement that "the Minister shall establish a participant funding program to facilitate the participation of the public in mediations and assessments by review panels."[45] Intervener funding is available for project review processes in some provinces.[46]

Given these precedents, it is surprising that environmental assessment provisions in the MVRMA do not require, or even provide for, the establishment of an intervener funding program. The result is that Aboriginal organizations and other interveners in review processes conducted by the Mackenzie Valley Environmental Impact Review Board must either assemble intervener funding from existing government programs, negotiate funding arrangements with project proponents or bear the costs of participation themselves.

In practice, interveners may be able to secure some of the funding that they need from government programs and other sources. The NRTEE believes, however, that the principle of intervener funding should be formally recognized in environmental assessment under the MVRMA and that this principle should be given effect through a specific funding process.

Once this principle is accepted, a host of other issues arise. What are the respective obligations of government and industry to provide funding? What criteria should determine eligibility for funding and the allocation of funding among eligible interveners? What accountability and control mechanisms should be established? Should there be an independent panel to review disputes over required levels of funding? These and other issues will have to be addressed during the design of an MVRMA intervener funding program. Clearly, this design process should involve consultations with Aboriginal organizations and governments, industry and other interested groups (e.g., environmental public interest groups).



Industry is frustrated by a continually evolving regulatory regime that makes each new project a voyage into uncharted waters.

Funding to support the involvement of public interest groups, Aboriginal organizations and other groups and individuals in project reviews is a widely accepted principle of environmental assessment in Canada.

The NRTEE firmly believes that effective Aboriginal participation in environmental assessment is a critically important means of involving Aboriginal communities in decision making about non-renewable resource development in northern Canada. Environmental assessment processes should also facilitate intervention by other interested parties. Intervener funding in these processes is therefore essential. Given the important values at stake, the NRTEE believes that the current ad hoc approach to funding interveners under the MVRMA is unacceptable.

The NRTEE specifically investigated the current funding levels and projected needs of the Mackenzie Valley Environmental Impact Review Board, the Mackenzie Valley Land and Water Board, and the other boards established under the MVRMA. Current annual funding for the Mackenzie Valley Environmental Impact Review Board is $1.1 million, up from $545,000 in the 1999–2000 fiscal year but significantly less than the $1.7 million requested by the Board. The Mackenzie Valley Land and Water Board, which has been operating only since April 2000, received $2.1 million for the 2000–2001 fiscal year. Funding formulas for the regional land use planning and land and water boards are found in claims implementation documents. Current levels range from $131,000 for the Gwich'in Land Use Planning Board to $1.6 million for the Sahtu Land and Water Board. The most specific information regarding funding needs came from the Mackenzie Valley Environmental Impact Review Board. In its submission to the NRTEE, the Board stated that it has not yet conducted a thorough A-base review of its funding needs and that such a review should be undertaken when time and resources permit. It indicated, however, that additional funding is clearly necessary for the Board to carry out its regulatory responsibilities. The Board's estimate of $1.7 million per year for operating costs was made two years ago, before the current oil and gas interest in the North and the increasing demands on the Board related to its procedures. This amount is, nonetheless, the best existing estimate of the Board's present and future needs for core funding. The Board also expressed a preference for multi-year funding that is not tied to land claims implementation (which fixes board budgets for a 10-year period).

The NRTEE also examined the requirements for an intervener funding program. In particular, it consulted with staff of the Mackenzie Valley Environmental Impact Review Board to determine the costs associated with public interventions in environmental assessment and regulatory processes in the North. Estimates provided by Board staff indicated that small-scale projects may require up to $100,000 in intervener funding, while large-scale projects (e.g., the recently completed comprehensive study for Diavik Diamond Mines Inc.) may require at least $800,000 in intervener funding. On the basis of these estimates, the NRTEE has concluded that an annual allocation of $500,000 would provide a reasonable basis for the required intervener funding program. This figure was reviewed by members of the Mackenzie Valley Environmental Impact Review Board and deemed to be a good estimate at this time.

Ensuring adequate funding to implement the MVRMA is essential if the federal government is to live up to the commitments — embodied in land claim agreements and legislation — that it has made to Aboriginal people and to all Canadians. Expenditures in this area will promote good resource management, reducing the risk of costly mistakes and unnecessary conflict. Increased funding for these bodies will also improve the climate for investment in the NWT by helping to ensure that project review and regulatory processes can operate in an efficient, effective and timely manner. Furthermore, a portion of the additional funding could be used to support an initiative aimed at coordinating and streamlining regulatory processes in the NWT, notably through greater cooperation among MVRMA boards and between MVRMA processes and other regulatory regimes. Providing adequate resources to the MVRMA boards is thus a tangible measure that can be implemented immediately to address the pervasive concerns regarding regulatory certainty and efficiency in the NWT. The NRTEE strongly believes that DIAND should review the funding levels for all the boards under the MVRMA for the reasons outlined above.

While recognizing the need for a review of the current funding arrangements and levels for the MVRMA boards, the NRTEE is hesitant to present specific recommendations for the other boards without further research regarding their future funding needs. In addition, it was decided it would be premature for the NRTEE to recommend additional funding for the Mackenzie Valley Land and Water Board, since that board has only been in existence since April 2000.

The NRTEE believes, however, that the needs of the Mackenzie Valley Environmental Impact Review Board are sufficiently clear and pressing at the present time to justify a specific recommendation. Increases in the Board's core budget and the establishment of an intervener funding program are both required. Furthermore, a legislative basis for intervener funding is desirable. The NRTEE therefore recommends that:

3 ***The Government of Canada should allocate at least $2.2 million per year (including $500,000 per year for intervener funding) to enable the Department of Indian Affairs and Northern Development to provide the Mackenzie Valley Environmental Impact Review Board with a secure, multi-year funding commitment that will ensure that the Board can effectively carry out its mandate and can provide intervener funding during environmental assessments and environmental impact reviews. This funding level should be reassessed after five years.***

4 ***The*** Mackenzie Valley Resource Management Act ***should be amended to include a specific requirement for intervener funding.***

Enhancing Northern Capacity in Geoscience and Geological Mapping

Initiatives to improve geoscience and geological mapping were recommended by Task Force members and key players in the NRTEE process. The need for increased investment in these areas across Canada has been highlighted by a special task force appointed by the Intergovernmental Working Group (IGWG) on the Mineral Industry[47] and by the Prospectors and Developers Association of Canada.[48] Both groups argue that there is a direct relationship between government geoscience, mineral exploration investment and the discovery of economically viable mineral deposits. They also note the continued erosion of funding for government geoscience in Canada, with the result that large areas of the country are insufficiently mapped and Canada is losing its competitive edge as a place to invest in mineral exploration. Finally, restructuring of the mineral exploration industry has meant that the majority of early stage grassroots exploration is now being done by junior companies that rely on publicly accessible geoscience databases.

In the NWT, the need for investment in geoscience and mapping is widely recognized. The report of the Joint Aboriginal-Industry Resource Development Workshop observed that "geological mapping is the single most cost-effective incentive that government can provide to encourage mineral industry activity."[49] A current and accessible geoscience database is vital for grassroots exploration, the value of which has once again been demonstrated by the discovery of diamonds in the NWT. The Economic Strategy Panel concluded that better geoscience and mapping is needed to attract continued investment and that "the potential payback from this activity is huge."[50]

In addition to their direct benefits to industry, geoscience research and mapping also provide valuable information to land use planning processes and protected areas strategies. Identification of areas of high and low mineral potential assists all parties in reaching agreement on broader land use issues. The immediate result will be a more sensitive balancing of economic, cultural and ecological considerations in land use decisions. Facilitating these land use processes will, in turn, produce greater certainty regarding access to the land base for exploration and development. The use of geoscience data and mapping in land use planning processes will therefore contribute to improving the investment climate for the non-renewable resource industries in the NWT.

Despite the compelling arguments for public investment in geoscience and mapping, northern capacity in these areas has been significantly reduced in recent years. Funding to the Geological Survey of Canada has been cut and its Yellowknife office closed. Completion of the last Canada-NWT Economic Development Agreement has also removed a source of support. Analysis presented in the report of the Joint Aboriginal-Industry Resource Development Workshop indicates that the NWT has received geoscience funding far below that allocated to comparable jurisdictions. For example, under the 1987–1991 Canada-NWT mineral development agreement, the NWT — including what is now Nunavut — received only 5% of national geoscience funding despite occupying approximately one-third of the land mass of Canada.[51]

The results are plain to see. According to the report of the Joint Aboriginal-Industry Resource Development Workshop:

> *The evaluation of the 1991–1996 Canada-NWT MDA [mineral development agreement] indicated that only 40% of the NWT [and Nunavut] was covered by geological mapping at the scale of 1:250,000 (commonly used by industry to set broad exploration targets) and less than 1% is mapped at 1:50,000 (commonly used by industry to investigate particular locations within the broad target areas). As a comparison, in 1990, the provinces had on average 80% coverage at 1:250,000 and 35% coverage at 1:50,000. It is apparent, therefore, that even with MDA funding government expenditures on geoscience in the NWT have been less than that undertaken in other jurisdictions in Canada.*[52]

At the same time, the NWT is ranked by industry as one of the top jurisdictions in Canada for mineral potential.[53]

Several proposals have recently been made to enhance geoscience and mapping in the North and throughout Canada. The task force appointed by the Intergovernmental Working Group on the Mineral Industry issued a report in 1999 recommending a budget of $49.9 million over 10 years for geological mapping in the NWT.[54] This proposal was endorsed by the Prospectors and Developers Association of Canada in recent submissions to energy and mines ministers.[55] Further support for geoscience and mapping is found in a brief submitted by the National Geological Surveys Committee to the Mines Ministers' Conference held in Toronto in September 2000.[56] This document calls for a cooperative geological mapping strategy in each province and territory of Canada.

The NRTEE consulted with representatives of the Geological Survey of Canada, DIAND and the C.S. Lord Northern Geoscience Centre, an institute in Yellowknife that is jointly operated by DIAND and the GNWT, with the Geological Survey of Canada having an advisory role. In a joint submission to the NRTEE, these departments support the recommendations of the IGWG report (i.e., $49.9 million over 10 years) but note that this amount is for bedrock mapping alone — the IGWG report estimated that a further $24 million would be required over the next 20 years to produce basin atlases to support hydrocarbon exploration in the Beaufort and northern mainland sedimentary basins. The departments also note that the cost of completing airborne magnetic coverage was estimated in the GNWT's Non-renewable Resource Strategy to be $20 million. The cost of achieving even this basic level of geoscience map coverage would be about $94 million. According to the joint submission, this total does not include other surveys and research that would be desirable such as surficial mapping, mineral deposit studies and resource assessments. The annual funding requirement would then depend on the target time period for achieving the desired level of coverage. The IGWG report used a 10-year time frame, which would suggest a basic requirement of almost $10 million per year. Currently, expenditure levels by the C.S. Lord Northern Geoscience Centre and the Geological Survey of Canada are in the range of $1 million to $2 million annually.

The NRTEE strongly supports increased geoscience activity and geological mapping in the NWT and throughout northern Canada. Strategic investment in this area will stimulate exploration and facilitate land use planning, both of which will yield important long-term benefits for Aboriginal communities and all northerners. While the Aboriginal Communities and Non-renewable Resource Development Program has focused particularly on the NWT's needs in this area, the NRTEE fully expects that increases in funding for geoscience and geological mapping could also be justified in the Yukon and Nunavut. For the NWT, the NRTEE recommends that:

5 ***The Government of Canada should commit $10 million per year, for 10 years, to the Department of Natural Resources (Geological Survey of Canada) and the Department of Indian Affairs and Northern Development (for allocation to the C.S. Lord Northern Geoscience Centre) to create a modern, integrated and accessible geoscience database for the NWT.***

A New Funding Formula for Infrastructure Development

Lack of adequate infrastructure is an important obstacle to economic development in the NWT and throughout northern Canada. The costs of moving people, equipment and commodities are high, seasonal restrictions sometimes apply — as in the case of ice roads — and distances within the NWT and between the NWT and southern markets are significant. Poor infrastructure puts the NWT at a disadvantage when compared with other jurisdictions in many sectors, including tourism, manufacturing and non-renewable resource development.

The infrastructure requirements for non-renewable resource development vary among commodities. Research conducted for the NRTEE indicates that project-specific infrastructure needs for the development of high-value, low-volume commodities such as diamonds and gold are relatively modest. A winter road for bulk supplies and an airstrip to move people and product are all that is required in many cases. In fact, concerns with security are such that the lack of access by an all-season road may be an advantage for gold and diamond mines.

For base metal production, a more extensive infrastructure is essential. Typically, all-season roads and access to tide water are necessary for these mines to be profitable. A number of significant base metal deposits in Canada's North are uneconomic to develop without a significant expenditure on transportation infrastructure. Given current metal prices, however, some deposits might remain uneconomic even if infrastructure needs were met through public investment.

Infrastructure requirements for the oil and gas industry consist primarily of access roads to well sites and pipeline transportation to southern markets. The establishment of transportation corridors is one means of promoting the development of these resources. The issues surrounding the possible construction of one or more major pipelines connecting Arctic gas with southern markets are of enormous significance for both the NWT and the Yukon.

Finally, it should be underlined that all these industries — regardless of their project-specific needs — rely on the North's general transportation infrastructure to move supplies and people. If that infrastructure is inadequate, the costs to industry of doing business increase and problems of congestion and public safety may arise. A number of NRTEE Task Force members and other key players expressed concerns regarding the overall condition

Infrastructure funding will play a critical role in levelling the playing field as the North competes with other jurisdictions for investment dollars.

of highways in the NWT. Issues of public safety and convenience are clearly at the forefront of many people's minds. The NRTEE views these concerns as directly relevant to the NWT's overall climate for investment in the non-renewable resource sectors, as well as being important for quality of life.

Two broader issues should also be kept in mind when considering investment in northern transportation infrastructure. First, Canada has a strategic interest in better connecting its vast northern territories with the rest of the country and in underlining its sovereignty in this region through a physical presence that can only be achieved with adequate infrastructure. Second, the North's needs for infrastructure investment may well increase significantly due to the effects of climate change, some of which are already evident. In particular, winter roads built on snow and ice and summer roads built on permafrost may all be negatively affected by global warming. The need for investment in northern infrastructure in the future is therefore likely to reflect considerations that go beyond the needs of the non-renewable resource sectors and current concerns with public safety and convenience.

Frustration with infrastructure funding in northern Canada focuses on two issues. The first is the per capita basis used to allocate money. Given its small population and large infrastructure needs, the North's share of overall infrastructure funding is viewed as inadequate by many residents. The second issue is the potential for infrastructure spending as a strategic investment. Significant expenditures in this area may yield even larger financial returns if the result is to make major non-renewable resource development possible. Infrastructure funding programs, it is argued, typically fail to consider the potential returns from investments in this area.

Specific proposals for infrastructure development have been tabled in recent reports. The GNWT's Non-renewable Resource Strategy proposes significant strategic investments in two northern transportation corridors: a Mackenzie Valley road corridor from Wrigley to the Dempster Highway and the Arctic Ocean, and a Slave Geological Province road corridor from Yellowknife to the Nunavut border.[57] The rehabilitation and upgrading of existing highways is also recommended. The report of the Joint Aboriginal-Industry Resource Development Workshop also proposes significant infrastructure development in the NWT and Nunavut.[58] As well, infrastructure needs are addressed by the Economic Strategy Panel, which proposes overall upgrading of highways and the development of a Mackenzie transportation corridor that includes pipeline development.[59]

The NRTEE recognizes the overall need to further develop infrastructure in the NWT and the specific benefits that certain infrastructure projects would have for non-renewable resource sectors. The NRTEE is not, however, in a position to endorse specific projects or propose particular levels of expenditure. These decisions should be made by the federal government and the GNWT, possibly acting jointly through a bilateral agreement or framework that would formalize a cooperative approach to identifying infrastructure priorities and allocating funding.

Furthermore, the NRTEE is well aware that infrastructure projects may be controversial. Extending all-season roads and pipeline corridors to previously remote areas of the NWT will inevitably have environmental risks and implications for Aboriginal communities. All key players agree that major infrastructure projects must be subject to strict review and regulation to minimize negative environmental and social impacts. The NRTEE's support for infrastructure spending is contingent on proper planning and environmental controls.

While the details of infrastructure spending are for others to determine, the NRTEE has identified a systemic obstacle to infrastructure development in northern Canada that can be addressed through a specific change in policy. The combination of per capita funding formulas and the North's small population has resulted in chronic underfunding of northern infrastructure. The time has come to correct this situation. Infrastructure funding will play a critical role in levelling the playing field as the North competes with other jurisdictions for investment dollars. Given the importance of this issue, the NRTEE recommends that:

6 ***In recognition of the fact that strategic investment in northern infrastructure benefits not only northerners, but also all Canadians, the Government of Canada should not use a per capita allocation formula as the basis for infrastructure funding to address the urgent needs of the North. Specifically, the NRTEE recommends that the Government of Canada set aside a block of funding for use as a minimum threshold allocation and then divide the remaining infrastructure funding on some other basis, such as a per capita allocation formula.***

A Northern Investment Tax Credit — Differing Views Among Key Players

Possible changes in tax policy to improve the fiscal climate for investment in the North were the subject of NRTEE Task Force discussions, commissioned research[60] and consultations with key players. One objective was to identify any opportunities to level the playing field for non-renewable resource development in the North. The potential for fiscal and tax measures to increase overall investment in the North, thereby yielding economic benefits for northerners in general and Aboriginal communities in particular, was also explored.

In terms of the level playing field, there is broad agreement that the royalty regimes for mining and for oil and gas in the North are competitive with those in southern Canada. In fact, it was noted that these regimes have been specifically designed to reflect the increased cost and risks of undertaking exploration and development in "frontier" areas characterized by harsh weather conditions, limited infrastructure and long distances from major markets. Mining in the North also benefits from the same provisions for accelerated capital cost allowances that apply to mines in southern Canada. Oil and gas development in the North, however, receives less favourable income tax treatment than large oil sands projects in Alberta and offshore projects in Atlantic Canada. Oil sands operations benefit from the same accelerated capital cost allowances as the mining industry, while companies active on the Atlantic offshore receive the Atlantic Investment Tax Credit (AITC) on their investments. With major oil and gas projects now under consideration for the NWT, an argument can be made that the playing field should be levelled in this area of tax policy.

The NRTEE's research and consultations identified a Northern Investment Tax Credit (NITC), similar to the 25-year-old AITC, as the most promising option for improving the investment climate through changes in tax policy. An NITC would mean that a fixed percentage of a corporation's investment in the North could be used to reduce its income tax liability. For example, a 15% NITC would allow corporations to deduct $15 from their federal taxes for every $100 investment in the North. An NITC would level the playing field for northern oil and gas projects and would provide a longer-term regional incentive to attract investment to all sectors of the northern economy.

The proposal for an NITC elicited strong support in some quarters and equally strong opposition in others. In addition, some participants in the NRTEE process simply felt that they lacked the information required to fully assess this proposal and that, while it may have merits in principle, the timing was not optimal for an initiative of this type. As a result, the NRTEE decided not to recommend the creation of an NITC. The rest of this section sets out the current state of the debate on this issue as revealed through the NRTEE's commissioned research, stakeholder consultations and discussions among Task Force members and the NRTEE as a whole.

The argument in favour of an NITC is based in part on the precedent established by the long-standing AITC. As Canada's most underdeveloped region, the North has at least as strong a claim as Atlantic Canada to favourable tax treatment for private sector investment. An NITC, it was argued, would encourage much-needed investment by offsetting, to some extent, the high costs of doing business in the northern territories. Even where projects are likely to proceed without tax incentives, advocates of an NITC saw it as a means of accelerating investment decisions. With the current high prices for oil and gas, they argued, it is easy to underesti-

in more benefits escaping the North.

mate the level of uncertainty that still surrounds the development of northern resources. An NITC would provide added incentives for companies to make firm investment commitments in northern Canada.

While applicable to all private sector investment, an NITC would have particular benefits for non-renewable resource development. In addition to levelling the playing field for oil and gas projects, an NITC would reduce the tolls on northern pipelines. The result would be to increase the netback price[61] at gas fields, significantly reducing the risks of development while increasing the royalties payable by gas producers. The decrease in overall risk would benefit private companies by reducing financing costs.

Aboriginal communities would benefit from an NITC in several ways. Royalties payable to Aboriginal owners of subsurface resources would increase. An NITC would have the long-term effect of increasing the value of all Aboriginal subsurface oil and gas rights and would also tend to increase the value of Aboriginal subsurface mineral rights. Aboriginal business development corporations would benefit from an NITC when making investments in the North. Finally, the contribution of an NITC to overall economic activity would generate spinoffs for Aboriginal people and other northerners.

Against these arguments in favour of an NITC, the NRTEE heard strong competing views from those who opposed this proposal. Six principal concerns were raised.

First, it was argued that the AITC has not been particularly successful in Atlantic Canada and it is therefore questionable whether a similar mechanism should be implemented in the North. In particular, the argument was made that regional development strategies based on comparative economic advantage, such as the lead role played by non-renewable resources in the North, must achieve three principal objectives. First, they must maximize the multiplier effect of initial investment by, for example, encouraging value-added manufacturing and creating incentives for the development of a local supplier network for the primary economic activity. Second, they must entrench technology associated with large-scale development in the region, so that a comparative economic advantage persists through cyclical downturns that may affect the lead sector. Finally, the human capital (i.e., a skilled and experienced labour force) that is generated through the lead sector must be embedded in local communities and in the regional economy so that it will remain behind if the lead sector declines. Based on the AITC experience, questions were raised as to whether an NITC would further these three objectives in the North. It was suggested that, at the very least, additional research and consideration of a broader package of policy instruments is desirable before implementing an NITC.

A second concern related to an NITC's contribution to levelling the playing field for oil and gas operations in the North. It was argued that while an NITC would equalize the tax treatment of northern, offshore and oil sands projects, the broader result would be to further entrench within the Canadian tax system the preferential treatment of non-renewable energy development when compared with renewable energy and other economic activities. An NITC that would effectively establish preferential tax treatment for oil and gas operations in the North is inconsistent with the NRTEE's broader view that implicit and explicit subsidies of this type should be eliminated throughout the tax system.[62] To the extent that tax incentives for non-renewable energy constitute "perverse incentives" from a broader environmental policy perspective, the argument can be made that the playing field for northern development should be levelled by removing the tax advantages enjoyed by oil sands and offshore operators, not conferring these same advantages on projects in the North.

It should be noted here that the proposed NITC would apply to all investment in the North, not simply to investments in the oil and gas sector. As such, the NITC would not be a narrowly focused tax expenditure directed specifically at the non-renewable energy sector. The argument was made, however, that the benefits of this measure would, in practice, flow overwhelmingly to the non-renewable resource sectors, given the large magnitude of expected investment in this area when compared with the likely investments in renewable energy and other sectors (e.g., small businesses) in the North.

A third concern regarding the proposed NITC was whether it would actually achieve the intended objectives of stimulating new investment and increasing the pace of investment, which will probably occur in any case. It was argued that the most likely investments in the NWT's non-renewable resources will flow — with or without an NITC — into diamond mining and the oil and gas sector. The major players in these areas are large and profitable corporations, and the current market conditions for these commodities are such that tax incentives to encourage investment may be difficult to justify. In short, the argument was made that major investment in these areas will occur even without favourable tax treatment. Under this scenario, the principal effects of an NITC would be a windfall for corporations, triggered by investments that they will make in any case, and a decrease in tax revenue available for other uses. It was also noted that the major resource developers in the North have not been lobbying aggressively for improved tax treatment and that the existing favourable royalty regime already offsets, at least to some degree, the higher costs of doing business in the North when compared with other jurisdictions.

Fourth, the suggestion that an NITC would stimulate the pace, if not the final amount, of investment was of concern to some people. From social, cultural and economic perspectives, the NRTEE heard repeatedly that Aboriginal communities are already having difficulty coping with the current rate of non-renewable resource development. Aboriginal leaders face a growing list of issues to address and processes in which they are expected to participate. The limited capacity of Aboriginal communities to capture the benefits from non-renewable resource development suggests that an increase in the pace of development might simply result in more benefits escaping the North. It was asked, for example, whether more rapid development would simply require importing more southern workers, while imposing additional strains on Aboriginal communities. Furthermore, the mechanisms that are essential to address the ecological impacts of increasingly intense non-renewable resource development are still being established in the North. Additional stimulus to development would increase the pressures on these new institutions and processes as they attempt to ensure the sustainability of northern ecosystems. For these reasons, an NITC that actually succeeded in increasing the current pace of non-renewable resource development in the NWT might well produce unintended effects that are inconsistent with the overall objectives of the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program.

Aboriginal leaders face a growing list of issues to address and processes in which they are expected to participate.

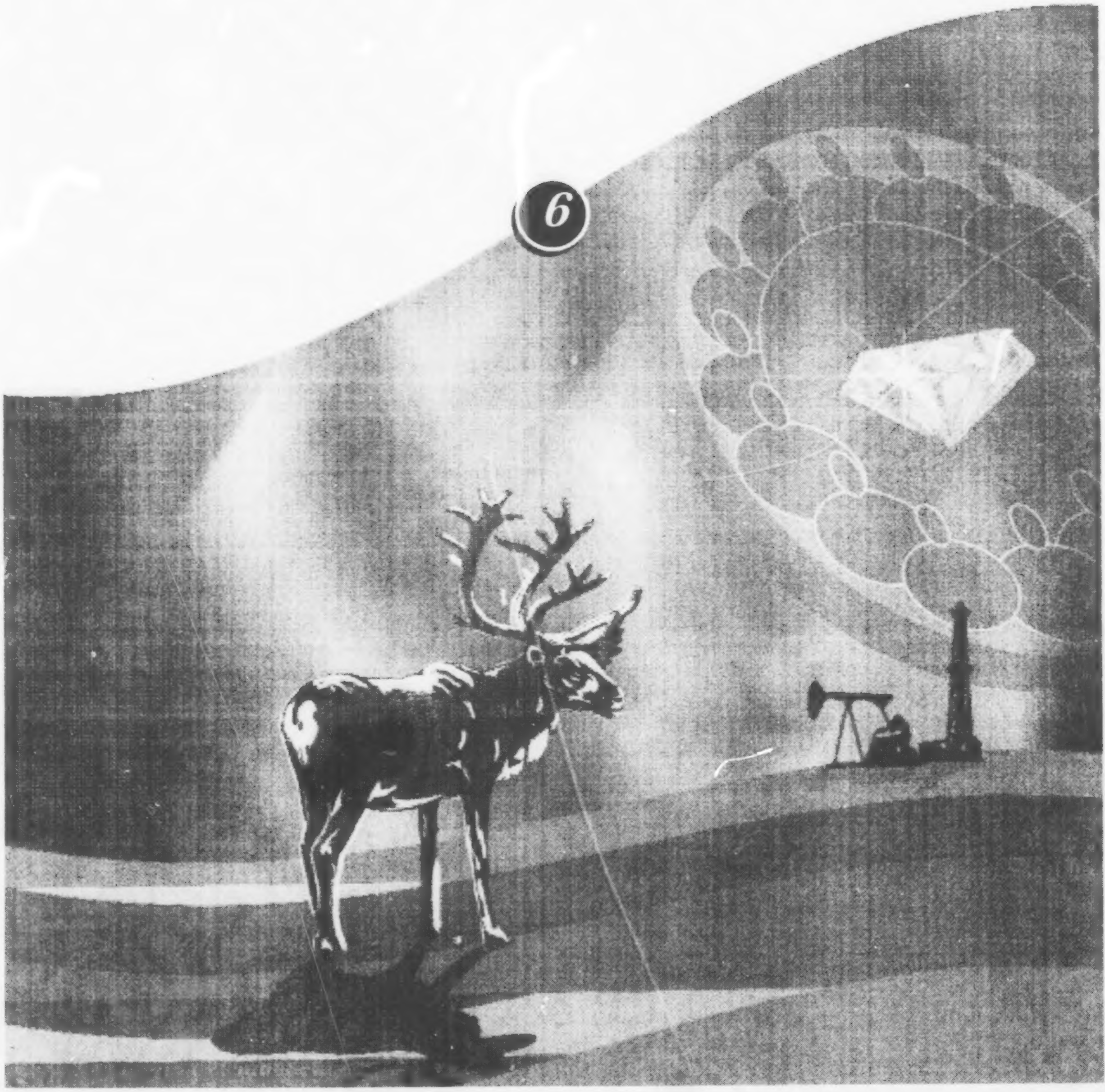
A fifth and related argument against an NITC is that it may not be the best means of achieving the overall goal of promoting the long-term sustainability of Aboriginal communities. It was noted, for example, that an NITC might not promote economic diversification since the resulting tax benefits would generally have little or no immediate value for local small businesses, entrepreneurs and people engaged in more traditional, land-based economic activities. Opponents of an NITC also questioned whether the "trickle down" effect for Aboriginal communities would be sufficiently large to justify the forgone tax revenue. On this issue, one suggestion was that the criteria for determining what investment qualifies for NITC treatment could include performance measures linked directly to Aboriginal benefits. For example, investment might only qualify if it could be demonstrated to have contributed to Aboriginal employment or business opportunities. The option of linking an NITC to northern benefits requirements was not, however, examined in detail by the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program.

Finally, the timing for an NITC was the subject of debate. Even among some people who felt that the idea might well have merit, there was a sense that deferring this initiative for at least a few years might be desirable. A "wait and see" approach would have three principal advantages. First, it may be easier in a few years to make a more informed judgment on the likely effects of an NITC on long-term industry behaviour. If the current rate of investment in the NWT's non-renewable resource sectors is a "bubble," tax incentives may be justified over the longer term. However, the possibility also exists that market forces will continue to fuel investment and create a critical mass of economic development in the North without any stimulus from the tax system. Second, measures designed to increase the pace of development may yield greater potential benefits and produce smaller risks in a few years from now, once Aboriginal capacity has increased and improved tools for environmental management are in place. Third, additional work appears necessary to analyse variations on the NITC model, to explore the likely positive and negative effects of such a tax expenditure, and to examine complementary initiatives that could form part of a broader package of incentives. The NRTEE notes that a comprehensive assessment of the AITC proposal was beyond the mandate of the Aboriginal Communities and Non-renewable Resource Development Program and that the research and consultations undertaken through that program yielded inconsistent estimates of the direct cost of an NITC to the federal treasury.

The debate over the NITC proposal yielded a number of competing arguments and perspectives and revealed clearly the complexity of using the tax system to promote the vision of sustainable Aboriginal communities that guided the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program. The state of the debate on this issue is such that the NRTEE is not making a recommendation for or against an NITC. The NRTEE believes, however, that the research and discussion that it has generated will contribute to the ongoing examination of this policy proposal in other venues.

Chapter Six

Capacity Building



Capacity building is the most important challenge facing Aboriginal communities in the North. The NRTEE's consultations and Task Force discussions consistently identified a lack of Aboriginal capacity as the principal impediment to maximizing benefits from non-renewable resource development. The NRTEE is therefore proposing five key initiatives in this area to promote sustainable Aboriginal communities.

The Importance of Increased Aboriginal Capacity

No single definition captures all aspects of capacity. NRTEE Task Force members defined capacity as "the ability to undertake development for the community and participate meaningfully" and "the ability to participate in decisions, to compete for business and economic spinoffs, and to administer." More generally, capacity within Aboriginal communities is "the ability to shape, control, and take responsibility — it is about community wellness."[63]

The capacity of Aboriginal communities depends on the physical, intellectual, emotional and spiritual well-being of individuals and on the strength of the social and cultural fabric that sustains families and communities. Aboriginal capacity is undermined by such problems as substance abuse, gambling, family breakdown and domestic violence that are common in some communities. The objective of capacity building can therefore be expanded to include measures to address the full range of social, cultural and economic challenges facing Aboriginal people, their families and their communities.

The NRTEE fully recognizes the importance of a holistic perspective on capacity building in Aboriginal communities. The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program could not, however, develop recommendations to address the full range of issues encompassed by such a broad perspective. Its focus is therefore somewhat narrower. The objective here is to identify measures for capacity building that are connected to opportunities and challenges presented by non-renewable resource development. While acknowledging the broader context, the NRTEE's specific focus is on maximizing benefits from non-renewable resources as a means of achieving sustainable Aboriginal communities.

Aboriginal communities require capacity in many areas in order to build a sustainable future based on non-renewable resource development. The problem is squarely identified in the GNWT's Non-renewable Resource Strategy:

> *The NWT Aboriginal population has levels of educational achievement significantly lower than national averages. Resource development jobs won't help to address the high unemployment rates in our Aboriginal communities if residents aren't equipped to take advantage of the opportunities.*[64]

Building Aboriginal capacity begins with improvements in basic literacy for all age groups. Aboriginal youth must stay in school longer at the elementary, secondary and post-secondary levels. Quality education, along with rigorous and consistent academic standards, is needed to ensure that high-school diplomas earned by Aboriginal people in the North are equal in value to diplomas from southern Canada. The NRTEE believes strongly that the sustainability of Aboriginal communities in northern Canada, and indeed throughout the country, depends on increased support for literacy and education with the goal of ensuring that, over the next 25 years, Aboriginal people achieve levels of education that are at least equivalent to those of non-Aboriginal people.

Aboriginal people also need skills training and apprenticeship programs in order to benefit from many of the opportunities offered by the non-renewable resource sectors. Administrative, management and entrepreneurial skills are essential to economic self-sufficiency, political self-determination and the ability to manage both opportunities and risks associated with resource development. Life skills in areas such as money management, career planning and cross-cultural communication are also required as Aboriginal people make the transition to the wage economy. Finally, the transferability and diversification of skills are important to ensuring long-term community capacity, particularly since individual projects have finite lifespans and non-renewable resource sectors are subject to boom-and-bust cycles.

Obstacles to Capacity Building

The NRTEE's research and consultations identified six principal obstacles to building the capacity of Aboriginal communities in the NWT. In many cases, these problems have also been highlighted in other recent reports and studies.

The first problem is inadequate coordination among programs and initiatives. A complex and fragmented approach to capacity building increases the likelihood of both duplication and gaps in coverage. Residents of Aboriginal communities and other northerners also face greater obstacles in identifying the programs and funding that they need. The Economic Strategy Panel described the problem as follows:

> *Human Resources Development Canada, GNWT Department of Education, Culture and Employment, DIAND, Arctic College, NWT Community Mobilization and aboriginal governments are all involved with training in the NWT. Yet we have a severe shortage of tradespeople and other skilled employees. Multiple agencies make it more difficult for potential trainees to find appropriate programs, and agencies are more prone to duplicate programming or fund the same trainees.*[65]

Education, training and other aspects of capacity building could be improved by a territory-wide strategy that establishes broad objectives, capitalizes on economies of scale and avoids duplication.

A second and related problem is the lack of focus on opportunities offered by non-renewable resource development. The report of the Joint Aboriginal-Industry Resource Development Workshop called for improved leadership and coordination to ensure that education and training initiatives respond to the needs of industry now and in the future.[66] All too often, training is undertaken without a clear idea of available job opportunities. The result is a waste of training dollars and frustration on the part of trainees whose employment expectations are not realized. To address this problem, training programs should place greater emphasis on preparing people for specific jobs in non-renewable resource industries and facilitating their transition from trainee to employee.

Third, capacity-building initiatives frequently fail to adequately address the needs and circumstances of individuals living in Aboriginal communities. Programs that do not take into account the cultural context, priorities and information needs of communities will not succeed. The drop-out rate increases when Aboriginal people are forced to relocate from their communities in order to receive education and training. While all programs cannot be delivered in each community, greater sensitivity to community needs is a key to successful capacity building in the North.

Fourth, inadequate funding is identified by some key players as an important obstacle to capacity building. The capacity of Aboriginal communities today is clearly insufficient to take full advantage of the opportunities that will be available over the next 10 to 25 years in the non-renewable resource sectors. Closing this gap will cost money. Given current levels of activity and projections of significant growth in diamond mining and the oil and gas sector, increased investment in capacity is urgently required to prepare Aboriginal communities for development now and in the future.

Fifth, the value of formal education and training remains underappreciated in many Aboriginal communities and among some Aboriginal leaders. These attitudes are understandable given the importance of land-based activities and knowledge in traditional Aboriginal society, the negative experiences of many Aboriginal people with the non-Aboriginal educational system, and the fact that a direct link between formal education and employment opportunities has not been obvious to many Aboriginal people. Nonetheless, capacity-building initiatives are not likely to succeed to their full potential without widespread recognition of the value of education and training within Aboriginal communities.

Finally, a large proportion of the adult Aboriginal population lacks the basic literacy and education to compete effectively in the wage economy, even for entry-level positions. Without attention to these fundamentals, expenditures on more elaborate capacity-building initiatives may not achieve the intended result of significantly increasing Aboriginal participation in the workforce.

Requirements for Successful Capacity Building

The NRTEE's consultations produced a range of valuable suggestions for building the capacity of Aboriginal communities in the North. These elements should be addressed in any new initiatives in this area.

Provide Human Resource Inventories and Needs Assessments

A more proactive approach is required to anticipate needs and develop the capacity to meet them. As noted by the Economic Strategy Panel, the skills required for the major development projects on the horizon can be predicted with reasonable certainty and training programs could be designed accordingly.[67] The key is to match available human resources with opportunities provided by non-renewable resource development over the next 10 to 25 years. Territorial and regional human resource inventories and needs assessments would provide the information required for this type of focused capacity-building strategy.

Define Roles and Responsibilities

Two of the key obstacles to capacity building are the lack of coordination among agencies and programs and the insufficient focus on non-renewable resource development. Both issues could be addressed by setting priorities for capacity building, consolidating programs and initiatives, and allocating funds more strategically. Part of this process would be a clearer definition of the roles and responsibilities of governments, industry, educational institutions and Aboriginal organizations. Better role definition is essential to an effective and streamlined capacity-building strategy. Specifying the respective obligations of government, industry and Aboriginal organizations will also improve regulatory certainty, particularly in relation to statutory benefits requirements and the negotiation of impact and benefits, as well as socio-economic, agreements.

Ensure Timely Capacity-Building Initiatives

The funding required for capacity building sometimes arrives too late to allow Aboriginal communities to prepare for the challenges and opportunities created by non-renewable resource development. Capacity is required for communities to participate effectively in the decision-making processes that are triggered by project proposals. Funding and expertise are necessary both in the project review and regulatory processes and in the negotiation of project-specific arrangements such as impact and benefits agreements.

Aboriginal communities also require significant advance preparation if they are to benefit from the employment and business opportunities created by resource projects. All too often, however, time and money are inadequate. Particularly when training programs are provided through financial or in-kind support from resource developers, funding and training positions may not become available until projects are up and running. Residents of Aboriginal communities may therefore find themselves at an immediate disadvantage when competing for jobs and contracts at the construction phase and the start-up of operations. While this

competitive disadvantage may diminish over time, the inability to maximize employment and business opportunities at the outset is a lost opportunity. A proactive capacity-building strategy could correct this problem to some degree by providing funding and access to training programs as far as possible in advance of non-renewable resource projects.

Provide Community-based Education and Training

The importance of community-based education and training was emphasized throughout the Aboriginal Communities and Non-renewable Resource Development Program in stakeholder submissions, Task Force discussions and commissioned research. Five key points emerged.

First, there is a need for greater community empowerment in capacity building. Community-based initiatives and accountability should be promoted by making funding, expertise and templates for successful programs and reporting mechanisms available at the community level. Communication, coordination and partnerships among organizations within communities and at regional and territorial levels should also be encouraged.

Second, capacity-building programs should be delivered in communities wherever possible. Aboriginal people clearly want programs within their own communities and value ongoing contact with family and friends as an important component of education. Experience shows that Aboriginal people are more likely to complete training programs if they are not required to move away from home. The challenge of training is compounded by stresses associated with relocation to major urban centres or mine sites. Where program delivery in each community is not feasible, the establishment of regional training centres should be considered.

Third, capacity building should reflect the particular needs of communities and regions. Different types of skills may be required depending on whether a community is located close to mining projects or oil and gas operations. Communities that have extensive experience with the wage economy may have different needs from those that maintain a more traditional way of life. Sensitivity to community needs is therefore a critical part of capacity building. Changes to standard population-based funding formulas may be required to meet the special needs of small communities.

Fourth, information that is critical to capacity building is often in short supply within Aboriginal communities. Better information should be provided on job opportunities and long-term career options. Aboriginal people also need reliable and timely information if they are to take advantage of the programs and funding that

The capacity of Aboriginal communities depends on the physical, intellectual, emotional and spiritual well-being of individuals and on the strength of the social and cultural fabric that sustains families and communities.

are available to assist them with education, training, counselling and other types of capacity building.

Finally, a community-based orientation for capacity building should address the communications infrastructure required for distance education. While this approach to education and training raises its own set of problems, opportunities to use the Internet as a vehicle for capacity building will likely increase in the future.

For all of these reasons, capacity building in the North should include an increased emphasis on meeting the particular needs of Aboriginal communities and on providing opportunities for community-based education and training.

Reinforce Aboriginal Culture

For reasons noted at the beginning of this section, the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program could not develop a comprehensive set of recommendations on the social and cultural aspects of capacity building in Aboriginal communities. The NRTEE recognizes, however, that a strong sense of cultural identity is essential to the sustainability of Aboriginal communities and that the process of adapting to the wage economy can erode that sense of identity.

Capacity-building initiatives directed to participation in non-renewable resource development should therefore include, where possible, elements designed to reinforce Aboriginal culture. Providing programs in Aboriginal languages is one example. Land management programs may also act as bridges between traditional culture and present needs. Capacity building should include cross-cultural training that reinforces the values of Aboriginal culture and assists with the transition to the wage economy. A strong grounding in traditional language and culture and the ability to integrate traditional knowledge with formal schooling are key building blocks for Aboriginal capacity.

Industry has a key role to play in the development of capacity within Aboriginal communities.

Link Capacity Building with Industrial Benefits Requirements

Industry has a key role to play in the development of capacity within Aboriginal communities. Companies are currently involved in a range of capacity-building initiatives, from basic literacy and pre-employment training to specialized skills development programs. In many cases, these initiatives are undertaken in response to commitments established on a project-by-project basis, primarily through the requirement for benefits plans under oil and gas legislation and through the negotiation of impact and benefits agreements as well as socio-economic agreements for mining projects.

BHP is one company that has recognized the need to support lifelong learning for its employees and the gap in available government funding. On 8 November 2000, the company announced the initiation of a $750,000 Workplace Learning Program[68] for its employees at the Ekati Diamond Mine in the NWT. The program aims to improve the skills of employees in the areas of reading, writing, mathematics and document use. It is anticipated that the program will lead to increased safety, job performance and satisfaction. Launched as a two-year pilot, the program is expected to continue for several years, given the number of BHP employees, the company's commitment to northern hiring, the impact and benefits agreements, and the time required to make significant literacy gains. This program will have a significant effect not only on the employees but also on the communities in which they live.

A capacity-building strategy could provide a larger context for these project-specific arrangements, increasing their effectiveness and providing greater certainty to industry. Specific incentives could also be developed to encourage better benefits packages. For example, the bidding process for allocating oil and gas rights could be modified to provide a predetermined price advantage to the bid that includes the best capacity-building program.

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program has not developed a comprehensive set of recommendations to address issues raised by impact and benefits agreements and benefits plans. Nonetheless, the NRTEE recognizes that these issues have important implications for industry's contribution to capacity building and for regulatory certainty. Efforts by government and Aboriginal communities to improve capacity building could usefully be integrated with other regulatory and negotiated mechanisms that are used to channel benefits directly from non-renewable resource developers to Aboriginal communities.

Make Strategic Investments

Three points relating to funding emerged clearly from the NRTEE's consultations on capacity building. First, a significant financial commitment will be required to build the capacity needed for Aboriginal communities to maximize the benefits they receive from non-renewable resource development. Second, Aboriginal people and other northerners feel strongly that a portion of the resource revenues generated from development in the North should be allocated directly to capacity-building programs. Third, funding for capacity building has the potential to yield significant returns for each dollar invested.

Capacity building thus provides an opportunity for strategic investment. A skilled local labour force will reduce the costs of resource development in the North, thereby improving the investment climate and making more resource revenue available for other uses. Social services costs will also be reduced over time if capacity building leads to increased Aboriginal employment without destabilizing communities. Eventually, it should be possible to reallocate money from social services budgets to education, training and other aspects of capacity building.

Adequate funding is essential for any initiatives to develop and implement a cooperative capacity-building strategy for the NWT. While the GNWT has significant jurisdiction in the areas of education and training, its access to revenue sources is limited when compared with the needs in this area. The federal government should ensure that adequate funding is provided to support capacity building, notably through the strategic investment of a portion of the significant revenue stream produced by non-renewable resource development in the NWT.

Recent Proposals and Initiatives

The importance of capacity building for Aboriginal communities and its link to sustainability have been prominent themes in the federal government's recent policy statements on northern and Aboriginal issues. The first goal of the northern component of DIAND's sustainable development strategy is "to strengthen communities by facilitating capacity building."[69] The strategy includes a series of objectives, targets and specific actions directed toward this goal.[70] *The Northern Dimension of Canada's Foreign Policy* also notes the "identified need for capacity building within Arctic communities" and states that "support for a capacity-building focus in the Arctic Council" will be a key component of Canada's contribution to strengthening this organization.[71]

Capacity building is also an important priority in *Gathering Strength—Canada's Aboriginal Action Plan*, particularly under the theme of "Supporting Strong Communities, People and Economies." This section of the policy statement begins by saying that "supporting healthy, sustainable Aboriginal communities means finding new ways to empower individuals and their communities."[72] It then enumerates key measures of well-being and observes that these factors "speak to the importance of building capacity for both individuals and communities."[73] Later in the statement, specific reference is made to capacity-building initiatives such as the Aboriginal Human Resources Development Strategy and a new strategy to "build capacity for lands and resource management in First Nations communities."[74] Turning specifically to the federal government's "Northern Agenda," *Gathering Strength* underlines the need "to ensure that Aboriginal people and communities share in the wealth and benefits expected to flow from major resource development in the NWT."[75] Enhanced Aboriginal capacity is clearly essential to meeting this challenge.

Recent territorial initiatives have also focused on capacity building. The GNWT's Non-renewable Resource Strategy identifies three key challenges to labour force development in the NWT: "Basic education levels must be improved; more northerners must be trained in professional/technical occupations; [and] more jobs must be created in smaller communities."[76] In response to these challenges, the GNWT proposes a four-year program to improve training for jobs in mining and the oil and gas industry. Priority areas are human resource planning, career development promotion, and industry-specific and career-oriented training. The total budget is $17.86 million. A separate initiative is proposed to promote maximum employment of northerners in non-renewable resource sectors.[77] Key elements of this strategy include the compiling of labour force information, career counselling, and measures to develop a more flexible and mobile workforce.

The Economic Strategy Panel defined capacity as "the ability of people to understand and respond to challenges and a changing environment."[78] The Panel identified general needs for education and skills training and highlighted leadership development as requiring special attention. Its specific recommendations touched on a broad range of issues, from addiction problems and educational standards to labour mobility and the coordination of training programs.[79]

Capacity building was also a major priority of the Joint Aboriginal-Industry Resource Development Workshop. The report recommended measures to increase Aboriginal corporate capacity, primarily through funding to assist Aboriginal development corporations in identifying business opportunities, establishing partnerships and joint venture arrangements, and training senior management and boards of directors.[80] A program to provide leadership in developing education and training initiatives was also proposed.[81] Support for committees such as the Mine Training Committee could be provided through this program. The report also suggested that funding might be used to facilitate the adoption in the NWT of a program similar to Saskatchewan's Multi-Party Training Plan.

North should be allocated directly

to capacity-building programs.

At the national level, several initiatives are currently focusing on Aboriginal capacity. The intergovernmental Federal-Territorial-Provincial-Aboriginal Committee has created a working group to promote Aboriginal participation in the economy. There is also a tripartite working group (federal-provincial-territorial) addressing Aboriginal participation in the social union framework agreement. Also noteworthy is the National Aboriginal Youth Strategy, developed by a working group consisting of representatives from provincial and territorial governments, the federal government and five national Aboriginal organizations. This strategy is intended to close the gap between the current profile of Aboriginal youth and other Canadian youth on a range of indicators. In particular, it recognizes that Aboriginal youth need to be equipped with the necessary skills, abilities and information to take advantage of the full range of education, training and employment possibilities. The objectives of the National Aboriginal Youth Strategy are consistent with the NRTEE's belief that, over the next 25 years, Aboriginal people in the North should achieve levels of educational attainment that are at least equivalent to those of non-Aboriginal people.

Federal funding for capacity building has been provided through the Aboriginal Human Resources Development Strategy, initiated by Human Resources Development Canada (HRDC). Under this program, the North received a total of $23 million in the 2000-2001 fiscal year. An additional $8 million for capacity building flowed directly to the territorial governments in this fiscal year under the intergovernmental Labour Market Development Agreements. There are, it should be noted, some restrictions on the use of this money. For example, a significant proportion is available only to clients eligible for employment insurance. Funds provided under the Aboriginal Human Resources Development Strategy were distributed through contribution agreements to

Aboriginal organizations and communities. Although ultimately accountable to the federal government, these communities and organizations are responsible for disbursing the funds and creating their own programs. The Aboriginal Human Resources Development Strategy has now been locked in for the next three years, following adoption of a national allocation model to distribute funding to the provinces and territories. As a result of devolution to the provincial and territorial governments, HRDC is no longer involved in the direct provision of training.

As noted above, the NWT has a multitude of education and training programs designed to increase Aboriginal capacity. Some of these are available through public educational institutions, while others are provided directly by industry. The problem is not an absence of initiatives but rather the lack of focus and coordination between them.

Renewed Leadership for Capacity Building — NRTEE Recommendations

Leadership and coordination are essential for effective capacity building in the NWT. A thorough assessment should be made of the "big picture" issues for capacity building, notably the overall adequacy of education, employment training and life skills enhancement. Territorial and regional capacity-building strategies should be developed, focusing particularly on the opportunities presented by non-renewable resource development. Common objectives should be identified, financial and human resources pooled and programs coordinated. Opportunities for eliminating duplication and simplifying program delivery should be explored. Close collaboration with Aboriginal communities and industry should be promoted to ensure that the programs offered meet the needs and expectations of Aboriginal people and potential employers. Community-based capacity building should be emphasized. Overall funding levels and specific funding priorities should be reviewed and adjusted.

> ***There is a need for greater community empowerment in capacity building. Communication, coordination and partnerships among organizations within communities and at regional and territorial levels should be encouraged.***

At present, there is no one responsible for initiating and overseeing these critically important initiatives. Without concerted efforts in these areas, however, the obstacles to capacity building identified earlier (see section Obstacles to Capacity Building) are likely to remain. The five recommendations that follow are directed to eliminating these obstacles and advancing an ambitious agenda for capacity building in Canada's North. These recommendations focus on two key areas. The first is the establishment of mechanisms for assessing the current state of capacity-building initiatives and integrating existing and new initiatives into a coherent strategy. Second, the NRTEE's recommendations are intended to reinforce the foundations for building a renewed commitment to the sustained enhancement of capacity within Aboriginal communities. These foundations include an increased recognition within Aboriginal communities of the fundamental importance of education and training and attention to the basic adult literacy and skills training that is needed if significant numbers of Aboriginal people are to enter the wage economy.

A Territorial Champion for Aboriginal Capacity Building

The NRTEE believes that an independent champion should be appointed to drive the capacity-building agenda in the NWT. This individual would provide renewed leadership and direction for capacity-building initiatives, while fostering improved cooperation among government, Aboriginal organizations, resource developers and educational institutions. A two-year term for this position should be established to maintain focus and ensure rapid action on critically important issues.

The principal responsibilities of the capacity-building champion would be to:

- investigate and report on the current state of Aboriginal capacity and capacity-building initiatives in the NWT in areas such as adult literacy, primary and secondary education, employment training, governance (e.g., community leadership and administration) and life skills;
- work with federal and territorial departments, Aboriginal organizations and governments, industry and educational institutions to build partnerships, ensure synergies (i.e., in terms of existing funding and programming), identify new funding sources, establish common priorities and coordinate capacity-building initiatives;
- develop and promote proposals for improving the effectiveness of capacity-building programs, focusing particularly on the opportunities presented by non-renewable resource development over the next 10 to 25 years;
- provide guidance to the Premier of the NWT, as requested, on the creation and implementation of the three-year education awareness campaign;
- establish interim and long-term targets for capacity-building programs (e.g., levels of community-based program delivery) and for objective outcomes (e.g., program completion rates and percentages of program graduates securing employment);
- monitor progress toward meeting these objectives; and
- promote accountability and ensure public visibility for issues and initiatives related to capacity building by issuing public reports on the state of capacity-building programs in the NWT, the obstacles to effective capacity building and the success of initiatives designed to overcome these obstacles.

The independent capacity-building champion would have to work closely with government agencies, Aboriginal organizations, educational institutions and industry. At the same time, an arm's length relationship from all of these parties would be necessary to maintain credibility and impartiality when addressing complex issues and a multitude of interests. To achieve this balance, the NRTEE recommends that the champion be appointed by the Intergovernmental Forum. This body brings together high-level political leadership from federal, territorial and Aboriginal governments and provides a vehicle for cooperation among officials. Capacity building is already an issue on the Intergovernmental Forum's agenda. Close consultation with industry and other interested parties (e.g., educational institutions) would be required, however, in the process leading to the appointment of a capacity-building champion by the Intergovernmental Forum.

The capacity-building champion would ultimately be accountable to the Intergovernmental Forum at the end of his or her term. The accountability model, however, would follow precedents established by the federal Auditor General and the Commissioner of the Environment and Sustainable Development. Although the champion's mandate would be determined through a consultative process led by the Intergovernmental Forum, he or she would enjoy a high level of autonomy when carrying out these responsibilities. Secure and adequate funding for the two-year term would also be essential to ensure independence. Precise staffing and budgetary requirements would be determined by the Intergovernmental Forum.

The NRTEE recognizes that its proposed initiatives will require funding. It also anticipates that further recommendations for expenditures on capacity building are likely to emerge from the work of the independent capacity-building champion and from the regional human resource planning discussed below. It is essential, therefore, that the role of the independent champion include identification of funding sources, with the support of the Intergovernmental Forum and the proposed NRTEE capacity-building forum (see subsections Promoting Regional and Community-based Capacity Building Through the Intergovernmental Forum, and An NRTEE-Sponsored Capacity-Building Forum). The NRTEE's preliminary investigations into this area indicate that there are substantial funds available for capacity building (e.g., the federal government's five-year commitment of $1.6 billion to the Aboriginal Human Resources Development Strategy). However, these funds are not necessarily being used in the most effective manner. An identification of all of the existing funding sources for capacity building is required, followed by an evaluation of their current allocation and practical results.

The NRTEE is convinced that an independent capacity-building champion would serve as the catalyst for the initiatives that are required to improve the capacity of Aboriginal communities in the NWT. The need for this position is particularly urgent given the current and projected levels of activity in the non-renewable resource sectors. For Aboriginal communities to maximize the benefits from this activity, decisive action to strengthen capacity building is required immediately. The NRTEE therefore recommends that:

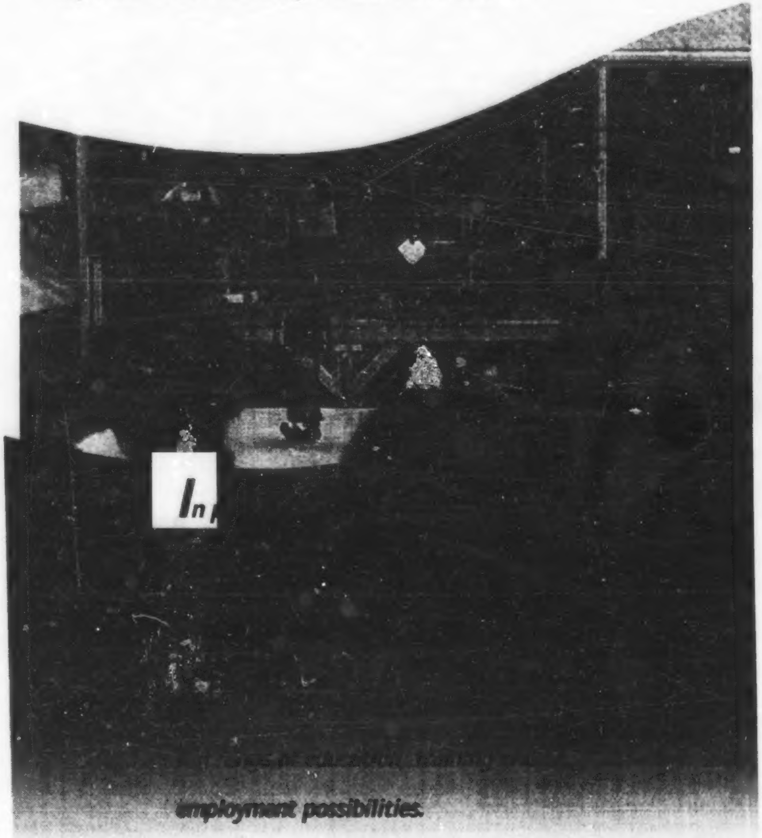
7 ***The Intergovernmental Forum, in consultation with industry and other interested parties, should appoint an independent champion for a two-year term to evaluate the current state of Aboriginal capacity building in the NWT, encourage greater cooperation and integration among capacity-building programs, ensure synergies (i.e., in terms of existing funding sources), identify new sources of funding, and develop and promote new initiatives.***

Promoting Regional and Community-based Capacity Building Through the Intergovernmental Forum

The Intergovernmental Forum is particularly well suited to addressing the principal obstacles to capacity building in the NWT. As noted earlier in the section Obstacles to Capacity Building, overcoming these obstacles requires improved coordination, more attention to the opportunities offered by non-renewable resource development, and greater emphasis on community-based capacity building. The NRTEE believes that the Intergovernmental Forum should support and complement the work of the independent capacity-building champion in these areas, focusing particularly on the development of regional and community-based strategies for Aboriginal capacity building.

Many of the key requirements for successful capacity building, identified above in the section Requirements for Successful Capacity Building, could be met through the establishment of comprehensive human resource development plans on a regional basis. These plans would include human resource inventories, needs assessments, regional priority setting, coordinated program delivery and community-driven initiatives. Defining roles and responsibilities at the regional level would be a key objective. Proactive regional planning processes would focus on the early identification of needs and opportunities, so that funding and programs arrive in time to allow Aboriginal communities to prepare for the challenges and opportunities of non-renewable resource development. They would also facilitate input from the community level and would allow initiatives to be tailored to the particular social, economic and cultural circumstances of Aboriginal communities in different parts of the NWT. Finally, regional human resource planning would facilitate the integration of capacity-building initiatives with industrial benefits requirements, since local benefits requirements for major non-renewable resource projects often have a regional focus and target specific communities.

The design and implementation of these regional plans would require close collaboration between federal departments involved in capacity building (e.g., DIAND, HRDC), the NWT Department of Education, Culture and Employment, Aboriginal organizations and governments, community services boards and industry representatives. The Intergovernmental Forum, in



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collaboration with the independent capacity-building champion, could play a key role in building the required partnerships and supporting the development of regional human resource development plans. It could also provide assistance in linking these plans with broader territorial and national programs and in ensuring a community-based focus, wherever possible.

The NRTEE believes that a regional focus for human resource planning provides the best fit with the patterns of Aboriginal governance, resource development, socio-economic circumstances and cultural diversity within the NWT. Regional plans could offer the benefits of a more focused and coordinated approach to capacity building, while recognizing the differences in needs, priorities and opportunities that exist across regions in the NWT. Given the number of players involved in these processes, the Intergovernmental Forum could provide valuable assistance in the form of expertise and templates for the preparation and implementation of these plans. The NRTEE therefore recommends that:

8 ***The Intergovernmental Forum should promote a regional and community-based approach to capacity building in the NWT by playing a lead coordination and support role in the development and implementation of regional human resource development plans.***

An Awareness Program to Place Education and Training on a "Pedestal" in Aboriginal Communities

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program focused particularly on the opportunities for promoting long-term sustainability through the prudent use of the North's non-renewable resources. Maximizing the benefits from resource development requires specific initiatives, such as the two proposed above, to help Aboriginal people integrate into the wage economy. The increased capacity in Aboriginal communities that is urgently required to achieve sustainability depends, however, on more than the improved coordination and delivery of educational and training programs and the implementation of human resource planning. The extensive consultation and research that was undertaken as part of the NRTEE's program convinced Task Force members that a strengthened commitment to capacity building among Aboriginal people must go hand in hand with a new economic basis for sustainable Aboriginal communities. The NRTEE believes that a greater understanding and appreciation of the value of education and training must be fostered within Aboriginal communities if capacity-building initiatives, such as those proposed above, are to yield the desired results.

Most Aboriginal men and women place a relatively low value on formal education. For social, cultural and historical reasons, many Aboriginal people see little reason to complete high school and develop good reading, writing and computer skills. Formal education was not part of traditional Aboriginal society, since life on the land required a set of skills that differs significantly from those needed in the wage economy. In many communities, there are few role models to show young people the value of education. Furthermore, the experience with non-Aboriginal education was a negative one for many Aboriginal people. The forced removal of children to residential schools hundreds of miles from their homes has left scars that are still fresh in many Aboriginal communities and families.

There have also been too few incentives to encourage educational achievement by Aboriginal people. In many Aboriginal communities, formal education is not widely seen as a means of securing meaningful and desirable employment or improving individual, family or community life. Aboriginal people often realize too late that their education and training did not equip them to compete with other Canadians and immigrants for employment and business opportunities in the North. The value of education in non-economic terms is also inadequately appreciated. Aboriginal people frequently see no connection between the preservation of their culture and formal education. The importance of education and training for successful self-government and increased independence and self-sufficiency is not widely recognized.

The NRTEE believes strongly that a concerted effort is needed to overcome the attitude of indifference toward education that prevails in many Aboriginal communities. To this end, the NRTEE recommends the establishment of a high-profile initiative to put education and training on a "pedestal" in all 35 Aboriginal communities in the NWT. This initiative is modelled on a very successful program led by Premier Frank McKenna in New Brunswick, which promoted self-reliance, education, training and technology.

The NRTEE is proposing a three-year program for the NWT that would consist of expositions, career days, festivals, recognition events and high-profile promotional activities involving the Premier, the NWT Cabinet, Aboriginal chiefs, federal political leaders, industry representatives and other prominent citizens. To give this initiative the required visibility and credibility, overall leadership should come from Premier Kakfwi. The Premier would involve both the Intergovernmental Forum and the independent champion in this initiative, as strong support from Aboriginal governments, territorial and federal politicians and public servants would be key to this initiative. The National Aboriginal Achievement Foundation could provide valuable guidance and could assist in securing the involvement of 24 outstanding Aboriginal achievers from across Canada to serve as role models and to bring the key messages directly to Aboriginal communities. Leadership and direction would also be provided by industry and business leaders. Based on consultations in the North and an examination of experience with other initiatives, the NRTEE estimates that a contribution of $5 million by the federal government is necessary to launch this three-year initiative (i.e, $1.7 million per year). As a comparison, a total of $2.6 million was the amount spent on Aboriginal languages in the NWT in 1999.[82]

Building the Aboriginal capacity that is essential for the long-term sustainability of Aboriginal communities requires a revolutionary change in the way many Aboriginal people think about the value of education and training for themselves, their children and their communities. Education and training should be placed on a "pedestal," signalling clearly their place among the highest aspirations of Aboriginal people as they look to the future. As a concrete step toward raising the profile and status of education and training within Aboriginal communities, the NRTEE recommends that:

9 ***The Government of Canada should contribute $5 million toward the creation of a three-year awareness program, headed by the Premier of the NWT, to raise the profile of education and training in all Aboriginal communities in the NWT. The Premier will involve the Intergovernmental Forum, the independent champion, the National Aboriginal Achievement Foundation (including 24 outstanding Aboriginal achievers from across Canada), industry and business in this awareness project.***

Enhancing Adult Literacy, Education and Training

There is no doubt that the education and training of Aboriginal youth is central to the enhancement of Aboriginal capacity over a 10- to 25-year time frame. The NRTEE believes, however, that attention to adult literacy and upgrading should also be a key component of the overall capacity-building strategy. There are four reasons why a capacity-building initiative should be directed specifically at the 7,000 Aboriginal men and women who are between 18 and approximately 48 years of age.

First, this group makes up the current pool of potential Aboriginal employees and entrepreneurs in the NWT. If Aboriginal people are to play a significant role in the resource development projects that are ongoing or expected within the next 10 years, many of the people in this segment of the population must be actively involved. It is not satisfactory simply to groom a new generation of Aboriginal people for jobs in the non-renewable resource sectors and in the more diversified northern economy of the future. By the time this new generation is ready to take its place within the wage economy, significant opportunities will already have been missed.

Second, many Aboriginal adults lack the basic reading, writing, mathematics and computer skills that are essential for entry-level positions. A basic level of literacy is generally required even for unskilled jobs, if for no other reason than to ensure safety at the workplace and facilitate on-the-job training. Among Aboriginal adults with some formal education, relatively few have completed high school or have high-school diplomas that are equivalent in value to those from other jurisdictions. Expensive capacity-building initiatives are likely to be fruitless without addressing the fundamental components of literacy and education among the intended beneficiaries of these programs. In addition to reading, writing and mathematics, these fundamental skills now include some exposure to the rapidly changing world of computer technology and global communications. Without attention to these fundamentals, Aboriginal people will be unable to compete in the wage economy and will face insurmountable obstacles as they attempt to balance the influences of traditional and non-Aboriginal society on their daily lives.

Third, there is a need to promote the value of lifelong learning within Aboriginal communities and to entrench this principle within the educational system in

Attention to adult upgrading is an important way of providing role models for Aboriginal youth.

the NWT. The need for a lifelong approach to learning is increasingly recognized throughout the industrialized world, especially in response to the rapid changes in information technology. Given the relative disadvantages of Aboriginal communities in the areas of basic literacy and education, a lifelong approach to learning is a particularly important component of long-term capacity building. Lifelong learning may also place less strain on the social and cultural fabric of Aboriginal communities than, for example, an approach geared exclusively to the intensive training of young people, some of which may involve specialized programs that require extended absences from communities and, in many cases, from the NWT. The establishment of an initiative directed to adult literacy and upgrading would provide the starting point for more extensive support for lifelong learning in the NWT.

Finally, attention to adult upgrading is an important way of providing role models for Aboriginal youth. If Aboriginal adults demonstrate the importance of education and training by their actions as well as their words, it is more likely that their children will recognize the value of educational achievement. In fact, getting adults "back to school" may be a useful way of encouraging younger people to stay in school. Education and training would be seen as a widely shared part of family and community life, not simply an obligation imposed upon the youth.

For these reasons, the NRTEE is recommending the establishment in the NWT of a 10-year adult education program aimed at literacy, high-school upgrading, computer training and other basic skills. This program would follow the successful launch of the three-year awareness program proposed above in recommendation 9. The most successful adult educators in Canada would play a key role in designing this program in consultation with the NWT's Aboriginal leaders, territorial government representatives, business leaders and educators. Flexibility would be necessary to adapt to the particular conditions, literacy levels and attitudes in each of the NWT's 35 Aboriginal communities. Community resources, such as libraries, should be used and augmented. This innovative approach would build on Aboriginal culture and traditions and would instill values of pride and self-sufficiency.

The NWT Department of Education, Culture and Employment should administer this program, using experienced administrators and instructors who would be competitive for similar positions in southern Canada in order to meet the highest standards of literacy and high-school achievement levels within Canada. The NRTEE's consultations suggest that a budget of $60 million over 10 years would be required for this program (or $6 million per year). It should be noted that in the NWT, the amount currently spent on adult basic education is $257,000 per year, compared with $6 million per year spent on French language training (1999 figures).[83]

Given the strong arguments for immediate action to improve the capacity of Aboriginal adults in the North, the NRTEE recommends that:

10 ***The Government of Canada should contribute $60 million for a state-of-the-art 10-year adult education program, to begin following the successful launch of the awareness program proposed in recommendation 9, to enhance literacy, high-school upgrading, computer training and basic skills among Aboriginal men and women in the NWT between the ages of 18 and approximately 48. This program should be designed by the most successful Aboriginal adult educators in Canada and be administered by experts employed by the NWT Department of Education, Culture and Employment in accordance with the highest Canadian standards for literacy and high-school achievement levels.***

An NRTEE-Sponsored Capacity-Building Forum

The urgent need for action to enhance Aboriginal capacity was underlined repeatedly by NRTEE Task Force members, key players and researchers throughout the Aboriginal Communities and Non-renewable Resource Development Program. At present, many Aboriginal communities are unprepared to capitalize on the opportunities and manage the risks associated with current and expected levels of activity in the NWT's non-renewable resource sectors. The scale of ongoing and proposed projects has placed considerable pressure on both communities and capacity-building programs. Dialogue must be initiated and partnerships established to overcome the obstacles to capacity building and to provide Aboriginal communities with the tools they need to become full participants in non-renewable resource development. The cost of failing to act now will be significant forgone opportunities and perhaps a perpetuation of the unfortunate social and economic legacy of past development for Aboriginal communities in northern Canada.

NRTEE Task Force members recognized the immediacy of the capacity-building challenge and expressed concern that valuable time would be lost if the initial steps to address this challenge were delayed until after the appointment of a capacity-building champion and the implementation of measures by the Intergovernmental Forum in support of regional human resource development planning. The planning and delivery of the NRTEE's proposed initiative to promote the value of education and training will also take some time, as will the implementation of a comprehensive adult literacy and upgrading program. The NRTEE is therefore prepared to take the initiative in convening, within three months of the official launch of this report, a capacity-building forum involving key representatives from the federal government, the GNWT, Aboriginal governments and organizations, industry, educational institutions and other interested stakeholder groups.

The capacity-building forum will have two broad objectives. The first will be to raise the profile of capacity building as a critical issue for Aboriginal communities and all northerners. The second will be to contribute to establishing the partnerships among key players that are essential to addressing this issue. A leadership role in relation to both of these objectives fits well with the mandate and guiding principles of the NRTEE and is a natural extension of the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program.

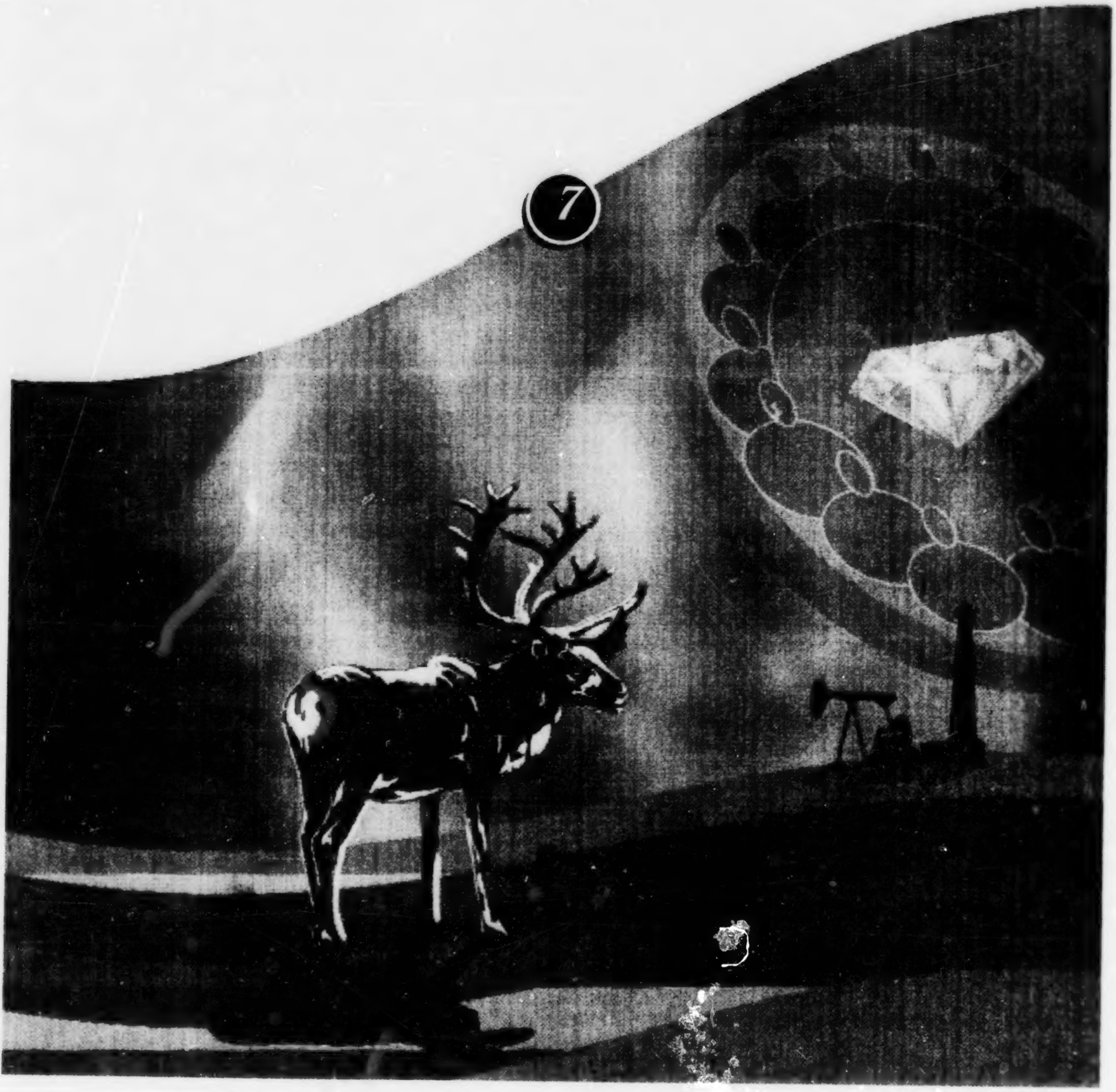
The capacity-building forum will also be used to build momentum behind the key initiatives recommended by the NRTEE. Participants in the forum will be asked to provide guidance to the Intergovernmental Forum on three issues: 1) the precise mandate of the independent capacity-building champion, 2) the measures that should be taken to support regional human resource development planning and 3) the identification of funding sources to ensure implementation of these two initiatives. More generally, the forum will focus on developing a common agenda for capacity building in the NWT and throughout northern Canada. Reflecting the priorities identified by the NRTEE, this agenda will include raising awareness of the importance of education and training within Aboriginal communities and establishing measures to promote adult literacy and skills upgrading. As such, the capacity-building forum will contribute directly to the implementation of the NRTEE's final two recommendations in this area.

The NRTEE views capacity building as central to its vision of sustainable Aboriginal communities. As a tangible and immediate contribution to promoting that vision, the NRTEE proposes that:

11 ***The National Round Table on the Environment and the Economy should convene a capacity-building forum within three months of the release of this report to raise the profile of capacity-building issues (including the importance of basic literacy and adult education), promote partnerships and provide specific guidance to the Intergovernmental Forum on the mandate of the independent capacity-building champion, the measures to be taken in support of regional human resource development planning, and the identification of existing and new funding sources.***

Chapter Seven

Consultation



The need for effective consultation with Aboriginal communities is a common thread that runs through all efforts to maximize benefits and minimize risks from non-renewable resource development. Consultation opens the door to meaningful participation by Aboriginal communities in decision making. For industry and government, consultation with Aboriginal communities is a legal and practical requirement for non-renewable resource development in the North. Consultation is also the first step in building the trust and partnerships that benefit everyone involved in resource development. The NRTEE is therefore making a series of recommendations on consultation, the focus of which is to support Aboriginal participation in these processes.

The Importance of Consultation

Aboriginal communities view full and timely consultation as a fundamental pre-condition for non-renewable resource development. Consultation shows respect for Aboriginal people when development is contemplated for their traditional lands. It provides them with the information and forewarning necessary to identify and respond to the potential risks and benefits of development proposals.

The benefits from Aboriginal-industry consultation flow both ways. Resource developers that consult effectively with Aboriginal communities gain a better understanding of the needs and interests of the people most directly affected by their projects. Project planning can then proceed in a way that respects the values and meets the needs of all parties. The likelihood of major conflicts at the project review and regulatory stages is therefore reduced. Companies that establish "good neighbour" relationships with Aboriginal communities in the region where they are active stand to reap significant benefits as they undertake ongoing exploration and development.

The legal foundation for consultation involving government is the Crown's fiduciary duty to Aboriginal people. Consultation is also good policy and good politics. Effective consultation with Aboriginal people is a precondition to any successful government initiative regarding non-renewable resource development in the North.

Consultation takes many forms and occurs in many contexts. In all cases, however, it is intended to promote meaningful Aboriginal participation in decision making. Consultation is the key to the mutual understanding, cooperation and partnerships that are essential if non-renewable resource development is to contribute to the sustainability of Aboriginal communities.

Obstacles to Effective Consultation

The NRTEE has identified four principal obstacles to effective consultation:

- consultation is often too late in the decision-making process for resource development and is too rushed, putting undue pressure on Aboriginal communities and undermining the trust that is required for mutually beneficial relationships;
- Aboriginal communities often lack the human and financial resources to participate effectively in consultation;
- the roles and responsibilities of industry, government and Aboriginal organizations in consultation processes are often ill-defined, leading to uncertainty, delay and frustration; and

- Aboriginal culture and language are sometimes given insufficient respect in consultation processes.

Measures to overcome these obstacles are required.

Requirements for Successful Consultation

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program identified four principles to guide successful consultation. First, consultation should occur early in the planning for non-renewable resource development and should continue frequently thereafter. Second, parties should clarify their expectations and needs at the outset. Third, consultation processes must take account of differences in language and culture. Finally, adequate funding for Aboriginal participation in consultation processes is essential.

Consult Early and Consult Often

The key message regarding consultation is a simple one. Consultation should start at the earliest stages of exploration for non-renewable resources and should continue regularly throughout resource development and up until reclamation is completed.

Aboriginal communities understandably resent being consulted late in the day about projects that may have enormous implications for their land, culture and communities. They also need time to review complex technical material and obtain expert advice if required. A long period of discussion and consensus building is often necessary within communities before Aboriginal leaders can speak for their people on important issues.

Consultation that takes place late in project planning increases pressure on the limited human and financial resources of Aboriginal communities. Late consultation is often rushed because of project timelines established by developers. Opportunities for meaningful Aboriginal input into decisions on project design and timing are limited. Not surprisingly, Aboriginal communities are likely to respond with a long list of terms and conditions for development. Frustration on both sides is inevitable.

This frustration increases the temptation for parties to attempt a political end-run around the consultation process. Ministers find themselves under pressure to make a political decision on matters that should be worked out through negotiations between the parties. Politicization of the process further undermines the level of trust between Aboriginal communities, industry and government.

Even consultations that begin early require constant renewal throughout the life of non-renewable resource projects. Important new issues will inevitably come to light. Earlier understandings and expectations may need to be revised in light of changing circumstances. Unexpected conflicts may arise, as may unforeseen opportunities for mutual benefits.

Consultation is a relationship, not just a set of hurdles to overcome on the way to project approval. Mutual respect and trust are fundamental to that relationship. Both respect and trust must be demonstrated and earned through early and frequent consultation. The principle "consult early and consult often" should guide the actions of government, industry and Aboriginal communities at all stages of non-renewable resource development. Resource developers and governments that ignore this maxim do so at their own peril.

Clarify Expectation Between the Parties

Consultation is often a complex and uncertain process. Past experience shows that it is full of pitfalls for the unwary. Resource developers that are new to the North may have unrealistic expectations about the time and money required for proper consultations. Aboriginal communities may not be certain whether consultation will result in meaningful participation in decision making or serve simply as an opportunity to listen and make comments. Governments' encouragement of consultation may mask ambiguity about what is actually required. All parties may be unclear about their roles and responsibilities in the consultation process.

Consultation processes cannot follow strict rules or procedures. Each project will raise distinctive issues. Every relationship among parties will inevitably be unique in certain respects. Nonetheless, the current uncertainty regarding the basic requirements for consultation is fertile ground for disappointed expectations and frustration.

Even if no single formula will work in all circumstances, parties entering consultation processes should address a number of key issues such as:

- What is the purpose of consultation?
- Who needs to be consulted?

- How should consultation processes be designed to reach the appropriate communities and all the different groups within those communities (e.g., elders, young people, business people, traditional hunters and trappers, women)?
- What are the respective roles and responsibilities of industry, government and Aboriginal communities in the process?
- What are the basic ground rules to ensure that consultation proceeds in a fair and effective manner?
- What is the relationship between consultation and participation in decision making?
- How is consultation linked to formal project review and regulatory processes?
- Does consultation imply a right of veto on certain types of decisions?
- What constitutes consensus in a consultation process?
- What happens to consultation processes when consensus is not achieved?

Answers to these types of questions will have to be worked out through a collaborative process involving Aboriginal organizations, industry and government. There may not be clear answers in all cases. For each consultation process, parties may want to chart their own course. While there is no one "correct" answer for each of these questions, parties should at least ensure that they share a common understanding on these key issues when they begin a consultation process.

Consultation is the key to the mutual understanding, cooperation and partnerships that are essential if non-renewable resource development is to contribute to the sustainability of Aboriginal communities.

Address Differences in Culture and Language

Cultural differences are a major obstacle to effective consultation. Where parties bring fundamentally different values and life experiences to the table, communication is difficult even if they speak the same language. This cultural divide is often widened by a lack of proper translation when resource developers talk with residents of Aboriginal communities. Many Aboriginal people — particularly elders and those in more remote communities — are most comfortable speaking their own language. Sensitivity to cultural differences and respect for the importance of Aboriginal languages are both essential for successful consultation in the North. The importance of this message was repeatedly brought home to the NRTEE as it consulted with Aboriginal people during the Aboriginal Communities and Non-renewable Resource Development Program.

Provide Funding for Aboriginal Participation in Consultation

Aboriginal communities must be able to participate effectively if consultation is to achieve the intended results. Aboriginal capacity is also essential if consultation processes are to operate in an efficient and timely manner. Representatives from Aboriginal organizations and from industry both agree that a lack of Aboriginal capacity to engage in consultations is a major problem.

Consultation places increased demands on the limited financial and human resources of Aboriginal communities — resources that in many cases are already stretched to the limit. Political leaders within Aboriginal communities

must guide the consultation process. Negotiators are needed to participate directly in discussions. Technical expertise on a broad range of issues is also essential. Finally, consultation processes are themselves expensive, particularly if funding is needed so that people from remote communities can attend meetings.

Access to independent expertise is particularly important when Aboriginal communities are faced with a blizzard of information from resource developers and government. Communities need to have confidence that they can participate in consultations on as equal a footing as possible with the much larger corporations and government departments across the table. Funding and in-kind assistance from government and industry are therefore essential to ensure that Aboriginal communities have the capacity to participate effectively in consultation.

Various government programs are available to assist Aboriginal involvement in consultations. In addition, industry supports consultation through specific participation and funding agreements with Aboriginal organizations and communities. There are, however, gaps in this funding. There is also a need for guidelines on the respective obligations of government and industry to fund consultation processes. Industry is willing to contribute its share but wants some certainty at the outset about the cost of its commitment. Overall, funding initiatives should be directed to ensuring that Aboriginal communities can participate meaningfully in the full range of consultation processes relating to non-renewable resource development in northern Canada.

Recent Proposals and Initiatives

The Economic Strategy Panel noted that uncertainty related to consultation complicates planning for non-renewable resource development.[84] The Panel concluded that more clearly defined consultation requirements would help in attracting and retaining investment. In particular, it identified a need for more guidance on who must be consulted and how extensive consultation should be.

The DIAND currently has two initiatives intended to improve consultation in the NWT. Guidelines for consultation processes and a compilation of best practices are both being prepared for publication. In addition, as noted above, there are various government programs and arrangements with private companies through which Aboriginal communities can obtain some funding for consultation.

Funding Participation in Consultation Processes — NRTEE Recommendations

Many of the requirements for effective consultation noted above can best be addressed by the parties to specific consultation processes. While legal requirements and policy direction have a role to play in providing structure and impetus to consultations, they are no substitute for good faith, practical experience and continued effort on the part of all participants in these processes. The funding of Aboriginal participation in consultations is one area, however, where the NRTEE sees a pressing need for action by government. To this end, the NRTEE has identified two specific recommendations to support effective Aboriginal involvement in consultation processes related to non-renewable resource development.

Continuation of the Interim Resource Management Assistance Program

Aboriginal communities without settled land claims face particular challenges in finding the resources necessary to participate effectively in consultations. To address this need, the Interim Resource Management Assistance (IRMA) Program was established by DIAND and the NWT Department of Resources, Wildlife and Economic Development in 1997. This four-year program is intended to help strengthen the ability of Aboriginal communities in unsettled claim areas in the NWT to participate in land and resource management processes affecting their surrounding land use areas. The processes for which IRMA funding is available include:

- consultations associated with regulatory processes (e.g., land leases, forestry licences, land use permits, water licences and oil and gas rights issuance);
- consultations and participation in environmental assessments related to proposed projects or activities; and
- consultations related to resource management policy and legislation.

The IRMA Program has an annual budget of $1.5 million. The federal government contributes $1.125 million and the GNWT $375,000. Funding is provided in two ways. Base funding in the amount of $1 million is allocated to recipients according to a per capita funding formula. The remaining $500,000 makes up a "resource pressures fund" to be used in cases where large-scale projects require more intensive study and examination and where it can be clearly demonstrated that the base funding is insufficient given the scale of the proposed developments.

The NRTEE sees the IRMA Program as playing a valuable role in supporting Aboriginal participation in consultation processes. It allows Aboriginal communities that face particularly severe resource constraints to participate at critical stages in land and resource management processes. As such, the IRMA Program makes an important contribution to meaningful Aboriginal involvement in decision making regarding non-renewable resource development in the NWT.

Two significant concerns regarding the IRMA Program were, however, brought to the NRTEE's attention. First, this program is scheduled to expire 31 March 2001. Second, the current budget of $1.5 million appears insufficient to meet the needs of eligible applicants for these funds. Given the success of the IRMA Program and the ongoing needs that it meets, the NRTEE recommends that:

12 ***The Department of Indian Affairs and Northern Development should continue the Interim Resource Management Assistance Program until all land claims are settled within the NWT. The Department should conduct a yearly review and adjustment of this program's budget to ensure that it is able to fulfil adequately its mandate of supporting Aboriginal participation in consultations and other processes in non-settlement areas.***

Funding Mechanism for Consultation on Major Projects

Consultations relating to major non-renewable resource projects in the North place tremendous demands on all participants. Projects such as diamond mines and pipelines are by their very nature complex and controversial. Consultation begins at the early planning stages and continues throughout the project review and regulatory processes and into the operational phase. The consultation processes associated with these projects threaten to overwhelm the organizations concerned with non-renewable resource development and related issues.

Aboriginal organizations and governments face particular difficulties as they attempt to participate in the multitude of formal processes and informal negotiations associated with major projects. Access to expertise in a variety of areas is essential if they are to understand and respond to the large volume of technical material contained in project applications. The broader policy and strategic questions raised by these projects also place heavy demands on Aboriginal leadership. All of these demands come on top of the routine matters that have, in many cases, already stretched Aboriginal capacity to the limit.

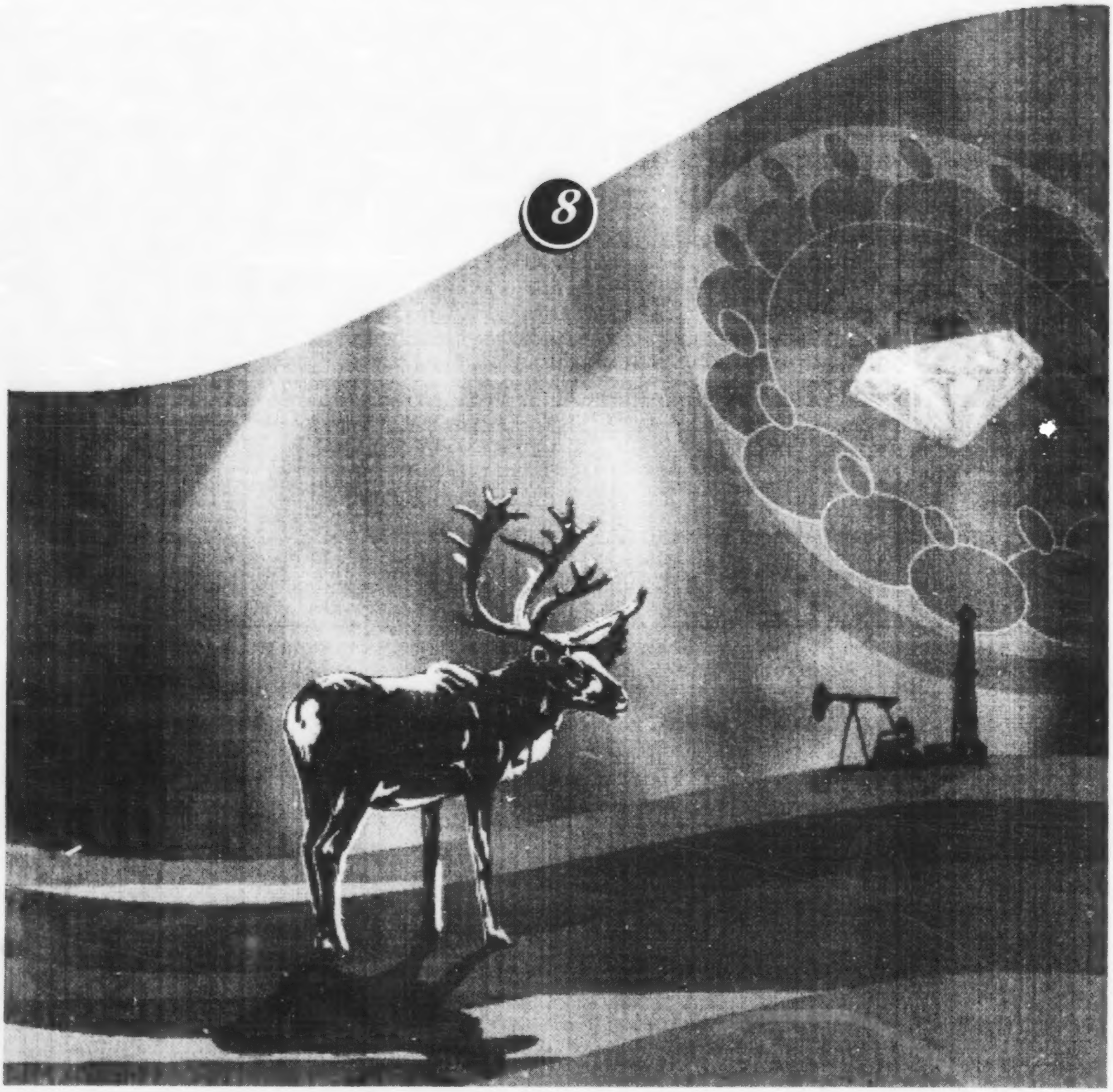
Intervener funding at the environmental assessment stage and specific initiatives such as the continuation of the IRMA Program would help address some of the needs of Aboriginal communities in relation to major projects. The consultation processes for these projects, however, go far beyond direct participation in environmental assessment hearings. Furthermore, the need of Aboriginal communities for additional support in this context is by no means confined to areas of unsettled land claims.

Major projects are vitally important to non-renewable resource development in the North. Aboriginal communities and government departments have recent experience with two diamond mines, and there are other mines, oil and gas projects, and pipelines on the horizon. The NRTEE is concerned that existing core resources are insufficient to support the consultation effort that is required for these projects. It therefore recommends that:

13 ***The Government of Canada should establish a $15-million funding mechanism over three years, to be administered by the Department of Indian Affairs and Northern Development, to facilitate the participation of Aboriginal organizations and Aboriginal governments in consultation processes associated with large non-renewable resource development projects in the three northern territories. This funding should be available prior to the intervener funding that is provided under the environmental assessment and regulatory processes that apply to these projects.***

Chapter Eight

Sustainable Aboriginal Communities in the Long Term



Aboriginal people view their relationship with the land as extending over seven generations. Ensuring that Aboriginal communities are truly sustainable therefore requires a long-term perspective. As already discussed in the section The Role for Non-renewable Resource Development, the NRTEE's vision of sustainable Aboriginal communities is based on a realistic assessment of the role to be played by the mining and oil and gas sectors. While these sectors offer tremendous potential at the present time, the NRTEE's consultations and Task Force discussions identified three principal concerns for the longer term. These concerns focus on the distribution of benefits, economic diversification and resource depletion.

Distribution of Benefits, Economic Diversification and Resource Depletion

The NRTEE's indicators of sustainable Aboriginal communities include explicit reference to equity — the fair distribution of costs and benefits within and among communities, between communities and developers, and across different economic interests and generations. Non-renewable resource development is not consistent with the NRTEE's vision of sustainable Aboriginal communities if it results in the creation of "have" and "have not" communities, with benefits flowing only to those that are geographically close to projects or have the greatest ability to capitalize on opportunities at the expense of others. Equity requires measures to address the needs of those who do not share in the immediate economic spinoffs of development.

Distributional issues can also have very practical political implications. Groups that feel excluded from the benefits of non-renewable resource development are likely to be either indifferent or hostile to project proposals. If excluded groups also bear significant costs as a result of these projects, hostile reactions are inevitable. A failure to address equity issues will therefore undermine broad-based support for non-renewable resource development among Aboriginal communities. Governments will find themselves under intense pressure from supporters and opponents of development. Societal tensions will rise, and the climate for investment will inevitably be adversely affected.

The need to diversify the economic base for Aboriginal communities is a second concern. Regardless of how promising the future looks today for diamond mining and the oil and gas sector, a one-track strategy for sustainability is risky over the long term. Economic and market conditions change with time, leading to boom-and-bust cycles in non-renewable resource sectors. The NRTEE recognizes that efforts should be made to diversify the economic basis for sustainability so that the well-being of Aboriginal communities does not depend entirely on a single project or sector. Non-renewable resource development can and should provide tangible support to these diversification efforts.

A third concern is captured by the question: What is left after non-renewable resources are gone? Even if a strong economy and favourable market conditions over many decades smooth out the boom-and-bust roller coaster, eventually key mineral deposits and oil and gas reserves will be depleted. In fact, one reason for increased interest in northern oil and gas is the decline in reserves in Alberta. The faster development occurs in the NWT, the sooner the inevitable decline in reserves will begin.

Economic Diversification and Long-Term Benefits from Non-renewable Resource Development — NRTEE Recommendations

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program does not have a mandate to address broad issues of social equity or to propose an overall economic diversification strategy for the NWT. The NRTEE's consultations and research have, however, examined two measures that have real potential to ensure that mining and oil and gas activity today will produce an equitable distribution of benefits and promote broader economic diversification into the future. These measures are the creation of a savings and economic diversification fund and the establishment of mechanisms for Aboriginal equity participation in non-renewable resource development, including infrastructure projects.

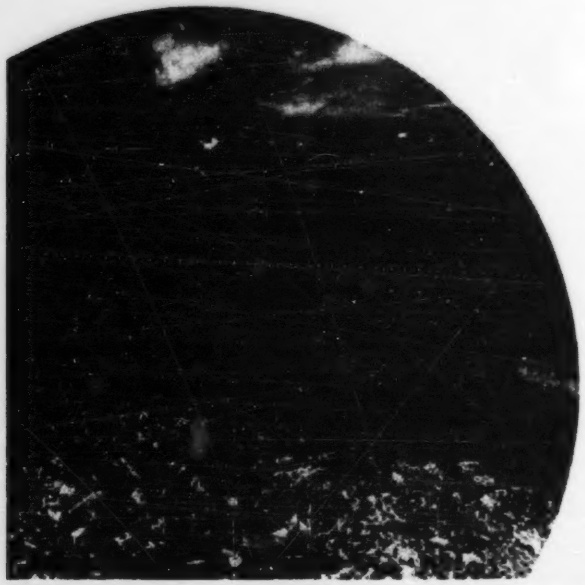
Savings and Economic Diversification Fund

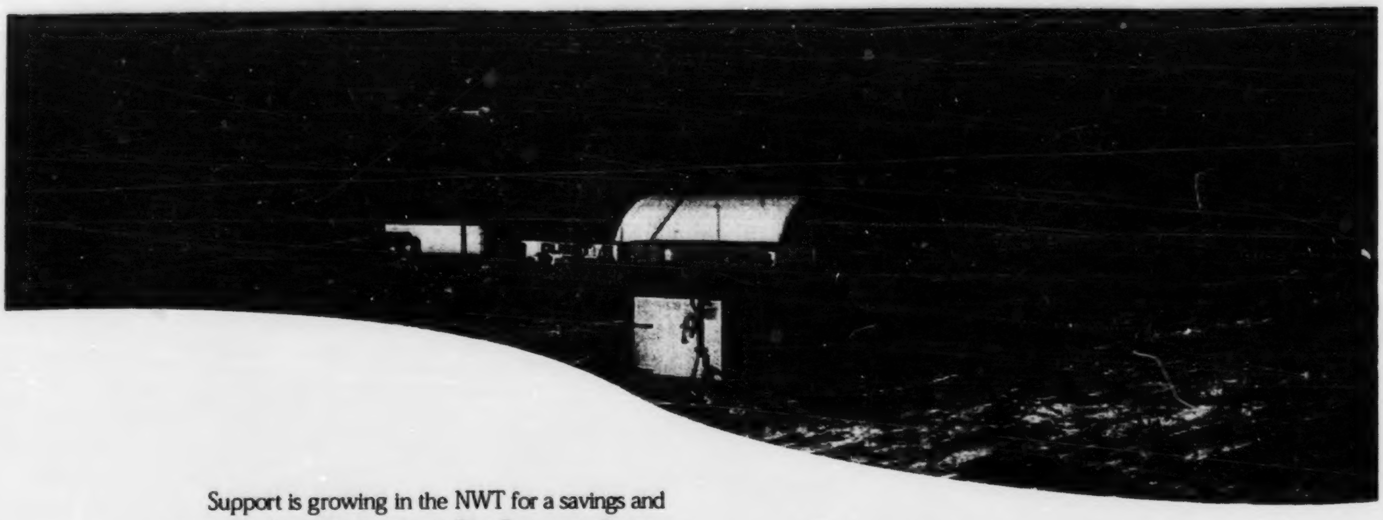
The idea behind savings and diversification funds is a simple one. A "rainy day" or "tomorrow" fund is built up over time by diverting a portion of non-renewable resource revenue from current expenditures. The fund is then managed in order to achieve a mix of objectives that can include 1) creating and preserving capital assets, 2) distributing the benefits from non-renewable resource development broadly throughout society or to specific groups or initiatives, 3) promoting economic diversification and 4) ensuring a stream of income into the future.

In the same way that individuals save and invest in order to provide themselves with economic security and lifestyle options following retirement, governments can set aside a portion of current revenue for the day when these revenues may no longer flow with the same abundance. The case for savings is particularly strong when revenue is produced by finite resources. Saving in times of economic surplus also helps to prevent individuals and governments from growing accustomed to living beyond their means. An economy "addicted" to non-renewable resource revenue may suffer severe withdrawal symptoms if the revenue stream diminishes significantly. Allocating money to a savings and economic diversification fund reminds everyone that non-renewable resources and economic booms do not last forever.

Savings and diversification funds have been established in both Alberta and Alaska with revenue from non-renewable resources. These arrangements are sometimes characterized as "trust funds," which implies the careful management of assets for specified purposes or beneficiaries. Formal restrictions on fund managers are sometimes imposed. Investment criteria and the purposes for which capital and income may be used can vary. Money allocated to these funds may be invested directly in specific projects in order to promote economic diversification and reach intended beneficiaries. Alternatively, funds may be used to create a portfolio of investments that have long-term potential for income generation and capital gains. Under this model, capital is preserved over time and only income on the fund — after inflation-proofing of the capital amount — is used for specific initiatives.

There is no single formula for savings and diversification funds. Each model has advantages and disadvantages. There are differing views, for example, on the importance of limiting the discretion of fund managers. Removing the temptation to use funds for short-term political purposes may entail restrictions that governments and other organizations are reluctant to accept. Further research on options and a detailed examination of the experience of other jurisdictions is necessary before choosing a specific model for the NWT.





Support is growing in the NWT for a savings and economic diversification fund. The Economic Strategy Panel proposed the creation of "a[n] NWT fund, from future resource revenues, to assist in diversification of the NWT economy."[85] The GNWT's Non-renewable Resource Strategy recommends "developing options to divert a portion of non-renewable resource revenue into long-term savings plans."[86] The GNWT's rationale for this proposal is as follows:

> *The Northwest Territories has a wealth of mineral and petroleum resources. However, focusing development exclusively on the non-renewable resource sector will leave our economy vulnerable to world market forces in a small number of commodities. There is also a need to ensure that as mineral resources are depleted, a financial legacy is left for future generations. There are opportunities in a broad number of sectors that need continued attention to ensure long-term stability and growth. The long-term health of our economy will be directly related to our ability to maximize the benefits available from a robust resource sector while setting the stage for more balanced growth in other sectors.*[87]

The GNWT's strategy also cites recent recommendations from the Canada West Foundation that "stress the need for public sector savings to be achieved from resource revenues, and the need to use these savings to create an economic environment favourable to growth."[88] Alberta's Heritage Savings and Trust Fund and the Alaska Permanent Fund are noted as possible models. The GNWT recommends further research on experience in other jurisdictions and concludes that "any approach to investment of resource revenues in a public savings fund will have to be developed in partnership with Aboriginal governments, in order to determine whether co-operative approaches are optimal."[89]

The NRTEE is fully aware of the sensitivities surrounding non-renewable resource revenues in the NWT. The division of resource revenue among the federal government, the GNWT and Aboriginal governments is particularly contentious. Aboriginal beneficiaries under land claim agreements also face extremely complex issues when determining how to allocate non-renewable resource revenues now and in the future. Any proposal about specific uses for resource revenue requires careful consideration.

The NRTEE nonetheless strongly supports the establishment of a savings and diversification fund as a means of addressing important issues such as equitable distribution, economic diversification and resource depletion, which must be confronted if non-renewable resources are to contribute to the sustainability of Aboriginal communities. Given the current political climate, the NRTEE underlines that this proposal is about how resource revenues are used over the long term, not about *who* receives them in the first instance. The issues raised by the proposal for a savings and economic diversification fund are therefore distinct from current political controversy over resource revenue sharing.

The possibility of allocating a portion of the revenue stream from non-renewable resources to a savings and economic diversification fund is one that all three orders of government in the NWT could consider as part of their ongoing discussions. The NRTEE therefore recommends that:

⑭ ***All parties to the Intergovernmental Forum should devise a mechanism for allocating a portion of government resource revenue to create a savings and economic diversification fund, the purpose of which would be to promote long-term sustainability for Aboriginal communities and for the NWT as a whole.***

Aboriginal Equity Participation

Aboriginal equity participation in major resource projects — notably pipelines — and in the companies that provide goods and services to resource developers is a promising means of securing long-term benefits from non-renewable resources. Experience with equity participation is increasing in the North. Major projects, such as pipelines connecting Arctic gas to southern markets, would provide tremendous new opportunities. The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program has confirmed broad-based support for increased Aboriginal equity participation in northern non-renewable resource development.

A number of successful Aboriginal-owned corporations and joint ventures are already active in the mining and oil and gas sectors. Pipeline development is another area of increasing equity participation. The Acho Dene Koe First Nation in Ford Liard has secured equity positions in two pipeline projects through partnerships with the Liard Valley Producers Group, led by Chevron, and with Paramount Resources on the Shiha Pipeline project. The Inuvialuit Regional Corporation is a partner in the Ikhil Gas Project, which supplies the town of Inuvik with natural gas.

Equity participation means that Aboriginal people will have direct ownership in non-renewable resource development. In legal and financial terms, ownership means direct proprietary interests in companies and projects. More broadly, however, Aboriginal ownership will include a sense of commitment, direct involvement and partnership with others in the development of the NWT's non-renewable resources. Aboriginal communities will be part of the process, not simply its beneficiaries.

Equity participation, however, is not free of risk: capital invested in projects or companies will not always generate a positive rate of return. What equity investment does provide is a direct claim to financial benefits from non-renewable resource development and a direct say in how development occurs. This type of involvement is particularly attractive for projects, such as pipelines, that have a long-term potential for wealth creation but are likely to provide relatively few employment and business opportunities for Aboriginal people and other northerners following the construction phase.

The revenue and more intangible benefits that flow from equity participation can support the long-term sustainability of Aboriginal communities in two main ways. First, the funds generated from Aboriginal equity stakes in projects and businesses could be used to ensure a broader distribution of benefits from non-renewable resource development, to promote economic diversification and to finance investments (e.g., savings and economic diversification funds) that could provide a financial basis for sustainable Aboriginal communities following depletion of non-renewable resources. Equity participation is thus a means of addressing the three key issues of distributional fairness, economic diversification and resource depletion that are raised by reliance on non-renewable resource development to lever long-term sustainability.

Second, practical experience with equity ownership is likely to help build and diversify Aboriginal entrepreneurial, financial, management and administrative capacity. Business skills acquired through equity participation in non-renewable resource development will be transferable to other sectors. Aboriginal communities will gain expertise and an increased sense of economic self-confidence and self-determination from their experience with Aboriginal-owned corporations, joint ventures and equity stakes in major projects. Equity participation thus provides Aboriginal communities with another vehicle to achieve long-term sustainability by building capacity through non-renewable resource development.

There are, however, significant obstacles to increased Aboriginal equity participation in non-renewable resource development. Access to capital is a major problem. Expertise is also necessary to assist Aboriginal communities and organizations in structuring the legal, tax and corporate governance aspects of equity involvement. Additional research on innovative corporate structures and financing arrangements is required.

Aboriginal youth must stay in school longer at the elementary, secondary and post-secondary levels.

Government has two critically important roles to play. First, it should provide a clear policy framework to support increased Aboriginal equity participation in non-renewable resource development. Second, it should indicate the extent of direct financing, loan guarantees or other forms of assistance that it will provide to promote this objective in a tangible manner. The government's policy framework and financial support for Aboriginal equity participation should, of course, be developed in close collaboration with industry and with Aboriginal organizations and governments.

Equity participation by Aboriginal communities and other northerners in non-renewable resource projects has been recommended in several recent reports. The Economic Strategy Panel noted that an equity position in a Mackenzie Valley pipeline could provide NWT residents with a substantial source of tariff revenues. It also identified the promotion of equity participation as a key means of maximizing the benefits to northerners of non-renewable resource development.[90]

The Joint Aboriginal-Industry Resource Development Workshop recommended a major program to increase Aboriginal corporate capacity.[91] The program includes financial support to Aboriginal development corporations for feasibility studies and business planning, the establishment of partnerships and joint ventures with resource developers, and the due diligence assessment of mining and oil and gas properties. These measures would enhance the ability of Aboriginal organizations to take equity stakes in businesses and projects linked to the non-renewable resource sectors. The required budget is approximately $5 million over the next five years.

The GNWT's Non-renewable Resource Strategy includes a four-year initiative intended to "support long-term wealth creation through northern equity participation in oil and gas infrastructure."[92] The particular focus is to support the Aboriginal Pipeline Group in securing an equity interest in the proposed Mackenzie Valley gas pipeline. This initiative is expected to:

- provide financial support in the early stages for assessing technical, legal and business advice;
- undertake research to facilitate an understanding of similar arrangements in other jurisdictions and best practices for equity participation;
- work with industry to facilitate an understanding of the northern business environment and the current fiscal benefits that accrue to northerners; and
- examine innovative tolling and financing arrangements to help facilitate Aboriginal equity participation in pipeline infrastructure development.[93]

A four-year budget of $1.6 million is proposed by the GNWT.

The Minister of Indian Affairs and Northern Development, Robert Nault, has confirmed that increased Aboriginal equity participation in resource development and other business ventures is a priority for the Government of Canada. In a speech delivered in Winnipeg 18 May 2000, Minister Nault described challenges and opportunities relating to Aboriginal economic development. In particular, he noted that Aboriginal communities lack the resources to become true business partners in large-scale development. The Minister then outlined the following strategic direction:

> *As Canada's economy continues to grow, I believe there are going to be a great number of opportunities for these communities to become equity partners in major ventures. This is especially true of the resource sector, where numerous large-scale oil and gas, mining, and forestry projects are starting to come together — many of them within traditional lands and territories.*
>
> *First Nations and Inuit are going to be heavily involved in projects. So why should they not also derive the kind of benefits we associate with equity positions? Not only would the communities benefit financially, the climate of stability would attract further investments.*
>
> *From my discussions with First Nations and Inuit leaders, I know they are looking for more than economic spinoffs when resource development occurs in their traditional lands. While agreements on employment opportunities, subcontracting, and training are welcome, they are only part of the picture. I believe we need to expand our efforts so that First Nations and Inuit can become partners in the true business sense of the word. That is, they need to be able to take equity positions in developments.*[94]

As a tangible contribution to achieving this goal, Minister Nault confirmed the availability through DIAND's Opportunity Fund of $10.5 million for the 2000-2001 fiscal year to support Aboriginal equity participation. The Minister also promised additional funding for subsequent years.

The NRTEE commends Minister Nault for his vision and initiative in establishing a national program to promote Aboriginal equity participation. The NRTEE is concerned, however, that the funds available for this purpose in the North will be inadequate to meet the projected needs. Equity participation can make a major contribution to the long-term sustainability of Aboriginal communities in northern Canada. Pipeline projects appear to offer particularly promising opportunities at the present time, as shown by the experience in the Fort Liard area and the preliminary work of the Aboriginal Pipeline Group. With a number of large-scale resource development and pipeline projects on the horizon, significant financial support for Aboriginal equity participation in northern non-renewable resource development is required now The NRTEE therefore recommends that:

15 ***The Department of Indian Affairs and Northern Development should monitor, on a yearly basis, the demand for capital to support Aboriginal equity participation in northern non-renewable resource development, including infrastructure projects, and should adjust the available funding levels accordingly to ensure that Aboriginal communities can secure equity stakes in major projects.***

Chapter Nine

The "Free Entry" System — Divergence Among Key Players

The "free entry" system was the subject of vigorous debate throughout the consultations and Task Force discussions of the Aboriginal Communities and Non-renewable Resource Development Program. This system is established by the *Canada Mining Regulations* and applies to land access and tenure arrangements for mining. In particular, it sets the rules for acquiring title to Crown-owned minerals. The four key features of the free entry system are:

- the right of prospectors to enter most lands containing Crown-owned minerals in order to undertake mineral exploration;
- the right of prospectors to acquire mineral rights by properly staking a claim and having it recorded with the mining recorder;
- the exclusive right of the claim holder to carry out further exploration and development within the area covered by the claim; and
- the right of the claim holder to obtain a mining lease — the tenure instrument required to undertake mineral production — provided that proper procedures and requirements have been complied with.

The basic principles of free entry under the *Canada Mining Regulations* apply throughout the NWT, except where subsurface minerals are owned by Aboriginal people. Where land claims are settled, the surface rights and access provisions of land claim agreements take priority over the "surface holder" compensation provisions in the *Canada Mining Regulations*.

The free entry system is sometimes characterized as guaranteeing a "right to mine." It does allow individuals and companies to acquire ownership rights in subsurface minerals and exclusive rights to undertake exploration and development within staked mineral claims. The holder of a mining lease is not, however, permitted to proceed automatically to production without satisfying further regulatory requirements. A leaseholder is subject to all laws of general application, including environmental and resource management laws. Bringing a mine into production requires submitting the project proposal to environmental assessment and obtaining a water licence and a surface lease. Recent practice suggests that, for major projects, resource developers must also negotiate an environmental agreement with regulators, a socio-economic agreement with the GNWT, and impact and benefits agreements with Aboriginal organizations.

The debate about free entry centres on the implications for Aboriginal communities of the "rights" established under this system. Views differ as to the nature of these rights and their practical consequences for Aboriginal control over exploration activities and non-renewable resource development on traditional lands.

The Criticisms of Free Entry

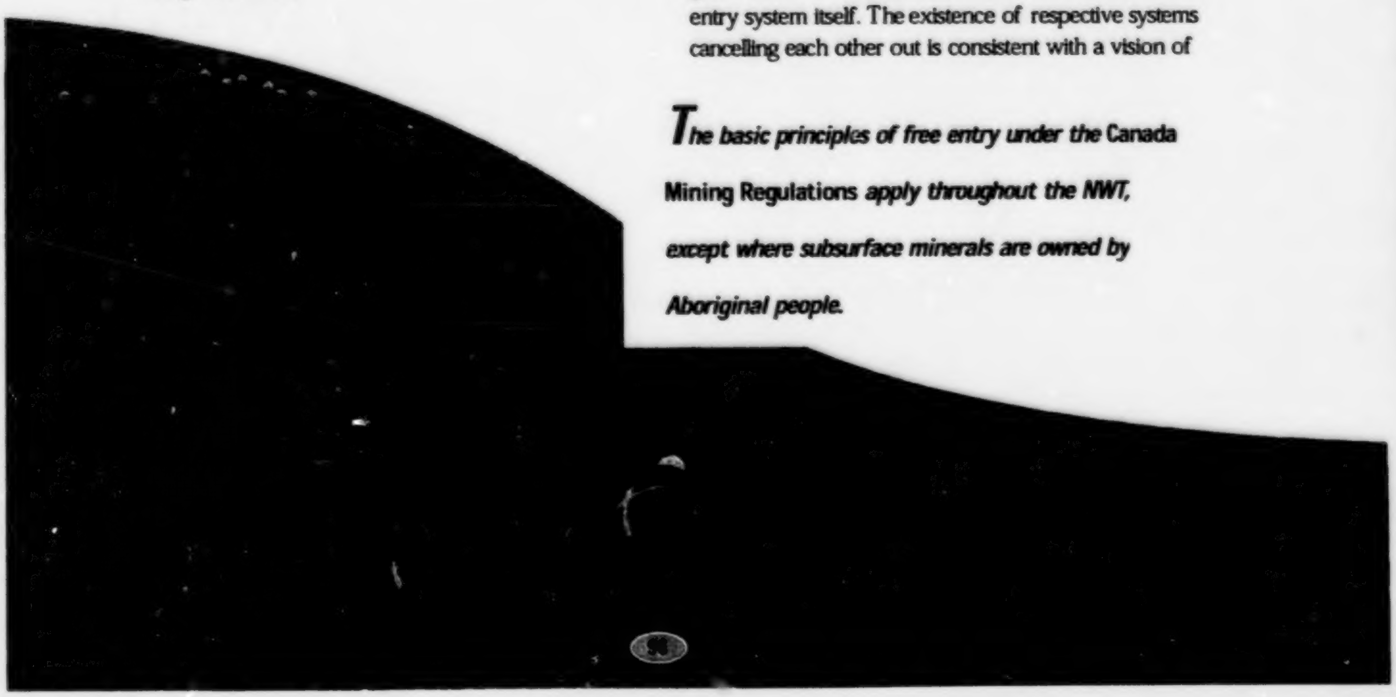
Critics of the free entry system see it as a significant impediment to Aboriginal control over activities on traditional lands. The strongest opposition to this system comes from some Aboriginal and environmental organizations. They argue that free entry:

- establishes mining as the preferred land use in the NWT, overriding other legislation and policy such as land use plans, protected area designations and wildlife management regimes;
- restricts the scope for government authorities to exercise their discretion to control exploration activity and the staking of claims, and eliminates discretion to prevent a mineral rights holder from obtaining a mining lease as of right;
- may not yield the appropriate levels of economic rent to the owners of Crown and Aboriginal land and resources, since rights allocation under free entry is based on priority of staking in time and does not incorporate price differentials reflecting either the mineral potential of claims as revealed through publicly funded information (e.g., provided by the Geological Survey of Canada) or the expected value of the land to the individuals or companies staking the claims;
- has the effect of subordinating the interests and values of Aboriginal communities regarding land use issues to the interests of the mining industry; and
- is inconsistent with Aboriginal rights and with the principle of Aboriginal participation in decision making on resource development because it includes no requirement for consultation with Aboriginal communities during the processes of acquiring and exercising rights of land access and mineral ownership.

For critics of free entry, addressing the defects that they see in this system is essential to promoting sustainable development and ensuring Aboriginal control over the use of land and resources. The arguments that free entry is inconsistent with the fundamental principles of sustainability and Aboriginal self-determination are central to their critique.

The arguments relating to sustainable development are framed in terms of "balance" and can be summarized as follows. Sustainable development, from its earliest discussions, has sought to balance economy and environment. It is not about the primacy of a single resource and its use. Free entry is the antithesis of balance because it establishes, at the very outset, the primacy of mineral exploration and development in the hierarchy of land and resource uses. At present, the only way to offset this imbalance is to withdraw lands from industrial use through an order-in-council issued by the federal government — an instrument that is as blunt as the free entry system itself. The existence of respective systems cancelling each other out is consistent with a vision of

The basic principles of free entry under the* Canada Mining Regulations *apply throughout the NWT, except where subsurface minerals are owned by Aboriginal people.



sustaining one kind of resource use at the expense of others, as opposed to giving fair and balanced consideration to the full range of land uses. This range of potential land uses should include sustainable ones — such as trapping, subsistence harvesting, tourism, eco-tourism, outfitting, nature appreciation and bird watching — that depend on healthy ecosystems and wildlife populations. Currently, virtually all lands are open to mining not because they should be but because this is the default response of government under the free entry system. Sustainable development, it is argued, requires a more nuanced approach.

It is essential to maintain a wider perspective when considering the impacts of development on Aboriginal interests.

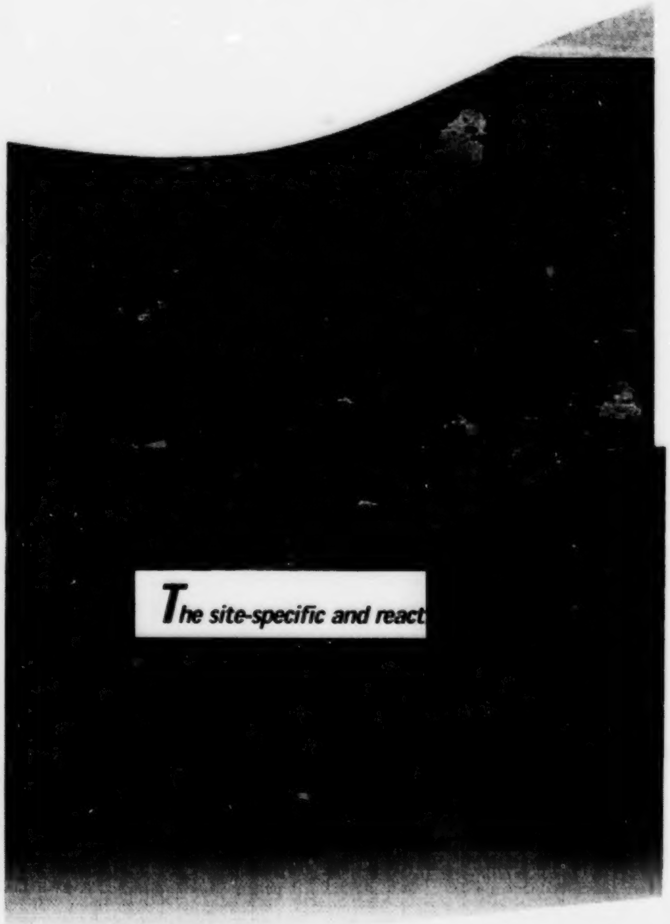
The critique of free entry relating to Aboriginal self-determination focuses particularly on the need for greater Aboriginal control over resource development in order to protect the land use values of importance to Aboriginal people. In submissions by NRTEE Task Force members and other key players, it was argued that the failure to engage legitimate Aboriginal interests in all phases of mineral exploration and development has been a serious problem. In particular, Aboriginal interests are too often not engaged at all at the initial exploration phase of project development. Land claims have, to a certain extent, addressed these concerns. However, it is essential to maintain a wider perspective when considering the impacts of development on Aboriginal interests.

The critics of free entry note that industrial activity, whether on Aboriginal or non-Aboriginal land, has historically fragmented landscapes and disrupted ecosystem processes. Aboriginal communities have a strong interest in a future that includes the sustainable use of renewable resources. Ecosystem-based approaches to project planning, impact identification and management, along with monitoring, evaluation and mitigation, will therefore be required for land and resource management. Issues relating to land fragmentation, wildlife migrations and watershed quality can only be dealt with effectively on an ecosystem basis. The coexistence of free entry and land claim agreements does not, it is argued, meet the needs of ecosystem-based management. Aboriginal control over only part of the land and water may be small comfort in the face of ecosystem-wide damage, since renewable resources can as easily be threatened by free entry on non-Aboriginal land as on Aboriginal land. As a result, the site-specific and reactive regulatory regimes for mining — including the free entry system — should be replaced with alternative arrangements that would facilitate Aboriginal self-determination, notably in the area of protecting the ecosystem-wide values that may be threatened by mineral exploration and development.

In addition to raising fundamental concerns regarding sustainable development and Aboriginal self-determination, critics of free entry highlight several specific deficiencies with respect to the free entry system and its relationship to land and resource management. They then suggest practical solutions. The critics argue, for example, that legal analyses of free entry provisions and case law on Aboriginal rights are contributing to uncertainty regarding tenure and access, a matter of central concern to the mining industry, Aboriginal communities and other key players. Clarification of these issues through a full, open and transparent review of the free entry system would, it is argued, be in everyone's interest. The critics also argue that broader reform of the free entry system and other economic, environmental and land use legislation is required, notably to establish a balanced and legally binding land use planning process that accommodates all values and interests before land use decisions are made. The defects of free entry are, from the critics' perspective, aggravated by deficiencies in the overall regime for land and resource management.

Finally, critics of free entry note that variations on this system are used in other jurisdictions. For example, map staking is used in Newfoundland and Labrador. While still a version of free entry, map staking avoids the impacts of land staking, which can be considerable in major staking rushes such as those witnessed recently in the NWT, Nunavut and Labrador. Nunavut now has a permitting system under which companies and individuals nominate areas for mineral exploration. This system gives the Aboriginal communities affected by mineral exploration the power to review nominated areas prior to the granting of approvals. Australia has adopted a "concession" system as a means of giving government greater discretion to impose order on the disposition of mineral lands.

In their submissions to the NRTEE process and their contributions to Task Force discussions, critics of free entry advocated a series of specific initiatives aimed at laying the groundwork for amendments to the access and tenure provisions of Canadian mining legislation. One proposal was to compare the access and tenure provisions in oil and gas legislation with those in mining law. The objectives would be to explore the consequences of each regime for Aboriginal communities and for the environment, and to document the views of Aboriginal communities on these issues. An analysis of implementation strategies for alternatives to the free entry system was also recommended. Finally, critics of free entry argued that a full national review of mineral lands disposition, focusing particularly on the free entry system, should be undertaken as soon as possible by an *independent* body. Broad terms of reference, openness to participation and transparency of process were identified as the key ingredients to ensure the success of this review.



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The Response

Supporters of free entry respond to critics in two ways. The mining industry, in particular, argues that the free entry system is fundamental to mining in the NWT. Industry views the rights established under the *Canada Mining Regulations* as creating the confidence and incentives that are necessary for the industry to operate in the NWT. Free entry is seen as providing a measure of certainty regarding access and tenure. It also maintains diversity in the industry by encouraging independent prospectors and junior companies.

The case for free entry also rests on the argument that the critics misunderstand its significance within the overall regulatory regime for mining and exaggerate the extent and implications of the "rights" that it establishes. The supporters of free entry argue that:

- the practical significance of rights established under the *Canada Mining Regulations* can only be judged by looking at the entire body of environmental regulation and other requirements that govern the various stages of mineral exploration and development in the NWT;
- procedures for land withdrawals allow government authorities to prohibit mineral exploration and mining activity wherever they determine that it is inappropriate;
- at the exploration stage, the requirement of land use permits for any activities beyond initial prospecting entails review of activities by affected communities and government agencies;
- the right to bring a mineral property into production upon issuance of a mineral lease is a "fallacy" because obtaining authorization to mine requires extensive public consultation, successful completion

of comprehensive environmental reviews, licensing for specific activities (e.g., water uses), and the negotiation of socio-economic, environmental and impact and benefits agreements — as illustrated by the recent experiences of BHP and Diavik in gaining authorization for diamond mines in the NWT; and

- any Aboriginal concerns with the free entry system are, in any case, being addressed through land claims, making amendment of the *Canada Mining Regulations* unnecessary to resolve these issues.

On the basis of these arguments, supporters of the current system reject the need for initiatives directed at amending the basic free entry provisions of the *Canada Mining Regulations*.

Aboriginal Perspectives

As noted above, some Aboriginal organizations have expressed very strong opposition to the free entry system in the NWT. These views were forcefully stated by representatives of the Deh Cho First Nations and the Lutsel K'e Dene First Nation. A particular concern is the ability of prospectors to enter traditional lands and acquire mineral claims without consulting First Nations. In consultations under the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program, Aboriginal leaders from the Deh Cho Tribal Council, the Lutsel K'e Dene Band and representatives from other areas of unsettled land claims expressed frustration with their lack of control over the issuance of land use permits by DIAND. Aboriginal people, they argued, should have direct decision-making authority concerning the availability of land for staking. They attribute their inability to exercise control over prospecting and mineral development on traditional lands in part to the rights and procedures established pursuant to the free entry system. More generally, they view the free entry system as inconsistent with Aboriginal title and their treaty rights. Pressures to reopen or develop mines add to the urgency of their concerns with the free entry system. The free entry system is seen as contributing to a pace of development that is sometimes too fast from the Aboriginal perspective.

The NRTEE's consultations and Task Force discussions revealed, however, that concerns with free entry are not shared by all Aboriginal organizations. Some Aboriginal representatives took the view that this issue is not a priority and, in any case, can be adequately dealt with through land claim processes and the regulatory regime. Others argued that improved consultation with communities at the exploration stage and throughout resource development would address the principal irritants without the need to change mining legislation. It is also noteworthy that settled land claims in the North have recognized and protected the basic elements of the free entry system, providing industry with relatively unfettered access up to the point where rights to develop minerals are granted.

The level of concern with free entry among Aboriginal people is linked, like so much else, to land claims. Aboriginal communities in areas of unsettled claims are particularly vulnerable to exploration and development activity on their traditional lands. Where claims are settled, however, Aboriginal surface and subsurface ownership rights are secure and mechanisms are in place to give Aboriginal communities more of a role in decision making regarding mineral exploration and development.

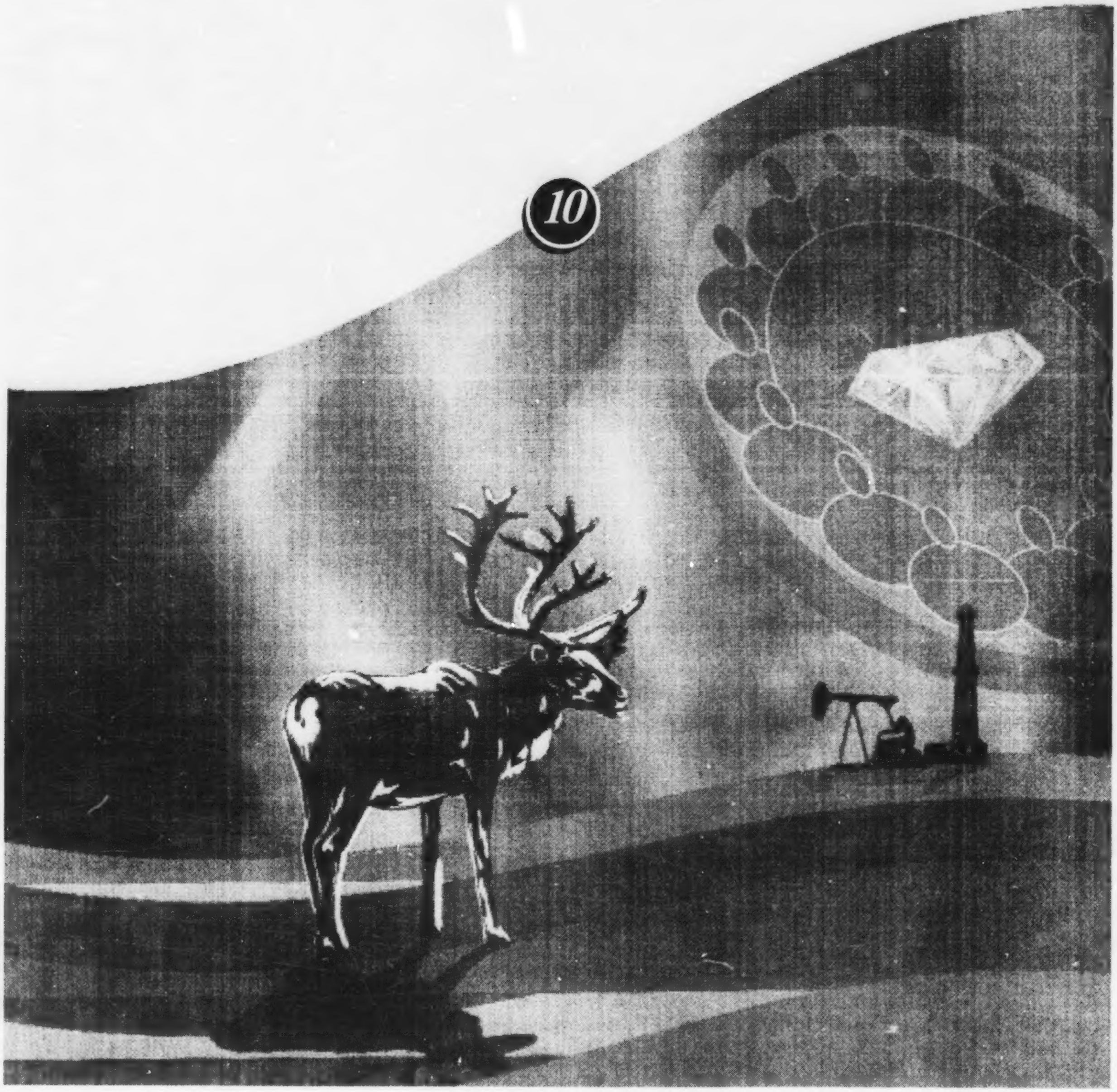
There is, therefore, no single Aboriginal position on the free entry debate. Aboriginal people are united in seeking greater control over non-renewable resource development on their traditional lands. They differ, however, on whether the *Canada Mining Regulations* and the free entry system as currently practised in the NWT are obstacles to achieving this objective.

Free Entry — The NRTEE's Position

The NRTEE recognizes that certain Aboriginal organizations and other key players in the North are fundamentally opposed to the free entry system for mining that is enshrined in the *Canada Mining Regulations*. These concerns were clearly and articulately expressed in consultations and Task Force discussions throughout the Aboriginal Communities and Non-renewable Resource Development Program. At the same time, the NRTEE has heard strong support for this system from industry representatives. Within governments, there appears to be little or no support for a major reform of the Canada Mining Regulations at this time. The NRTEE notes, as well, that concerns with free entry are not shared by all Aboriginal organizations.

Faced with this divergence of views on how to proceed, the NRTEE is unable to present a consensus recommendation dealing with the free entry system for mining. There is clearly a need for all interested parties to continue to work toward a constructive resolution of the contentious and complex issues raised by free entry in the North.

Conclusion



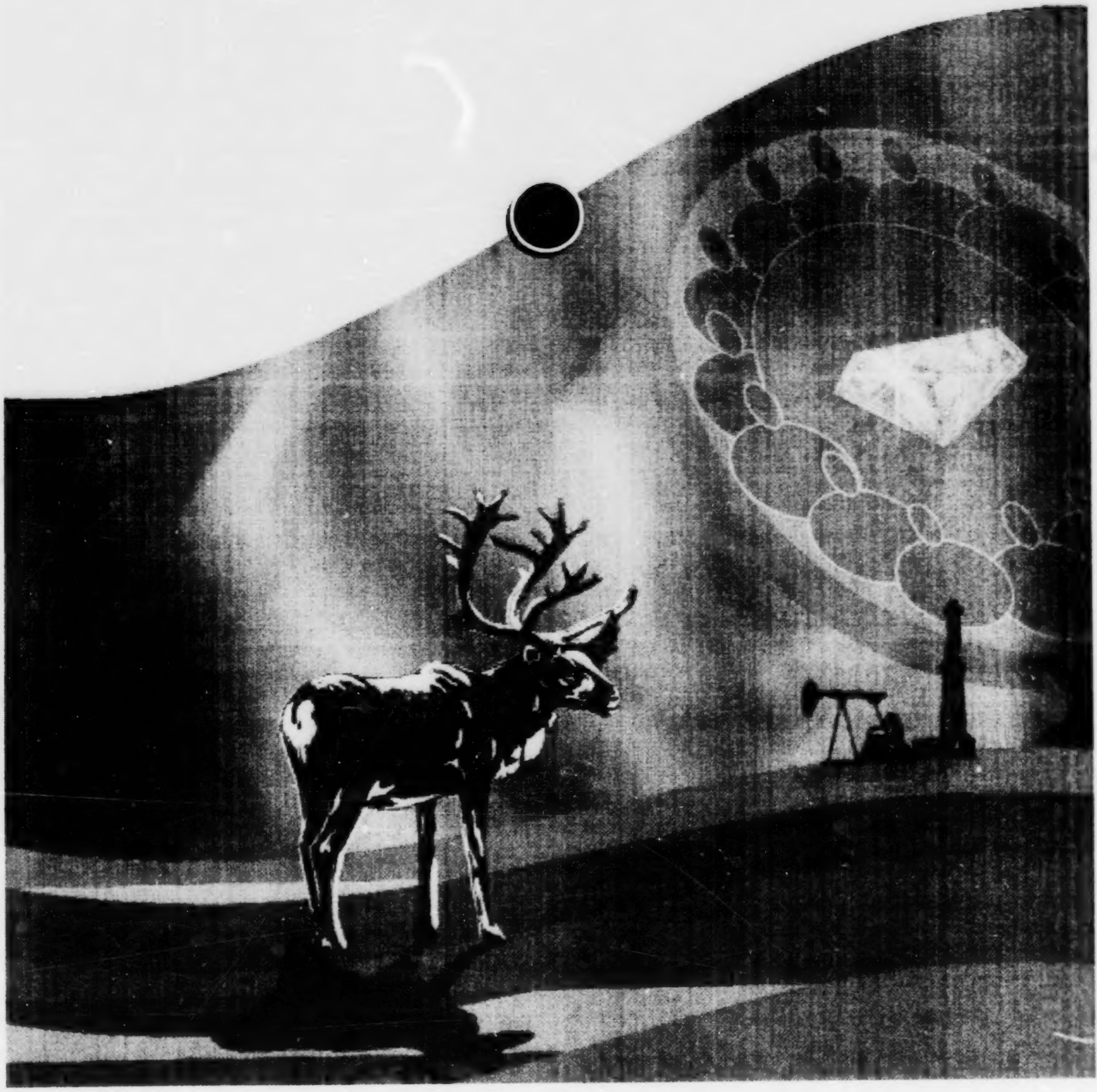
Non-renewable resource development in the North has the potential to generate significant economic benefits for Aboriginal people, other northerners and all Canadians. These benefits will not, however, flow automatically to Aboriginal communities. Non-renewable resources will contribute to the sustainability of Aboriginal communities only if those communities are able to take advantage of the opportunities that arise from resource development.

Non-renewable resource development also brings with it significant risks. Unless development is properly managed, it can seriously undermine the environmental, social, cultural and spiritual foundations of Aboriginal communities. Minimizing these risks is therefore essential if the development of non-renewable resources and sustainable Aboriginal communities are to coexist in the NWT and throughout northern Canada.

The recommendations set out above are directed to maximizing the benefits and minimizing the risks of non-renewable resource development for Aboriginal communities. The proposed strategy has five principal components. First, the development and implementation of an integrated policy framework for cumulative effects management is necessary to address the risks to Aboriginal communities of multiple resource projects and their related infrastructure. Second, the climate for investment in the North's non-renewable resource sectors should be improved in order to secure the economic base for levering a sustainable future. Third, action is required to address the needs of Aboriginal communities in the critically important area of capacity building. Fourth, Aboriginal participation in consultation processes should be supported, since these processes are the key to meaningful involvement in decision making regarding non-renewable resource development. Finally, specific measures should be taken to ensure that non-renewable resource development provides a basis for long-term sustainability.

This report reflects the wisdom and practical insights gathered through the extensive research and consultation undertaken by the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program. The recommendations presented here are intended to guide government, Aboriginal communities, industry and all key players down a path that leads to the vision of sustainable Aboriginal communities developed by the NRTEE Program's multi-representational Task Force. The NRTEE urges everyone with an interest in non-renewable resource development in the North to work in partnership in order to make that vision a reality.

Appendices



Appendix A

Program Participants

Note: This program was carried out over a number of years, and some participants' titles/organizations may have changed during that time.

Aboriginal Human Resources Council of Canada
Hall, Craig: National Director, Partnership Strategies

ADK Holdings Ltd.
Parrish, Shane: General Manager

Akita Drilling
Hunt, R.J. (Rob): Vice-President, Sales & Marketing

Aklavik Indian Band
Furlong, Charlie: Chief (NRTEE Aboriginal Task Force Member)

Assembly of First Nations
Arnott, Siobhan: A/Director, Environment Unit (now Policy Advisor, NRTEE)
Booth, Dale: (formerly) CEO & Director, Economic Development
Fontaine, Phil: (formerly) National Chief
McGregor, Alexandra: Policy Analyst, Environment & Health

Aurora College
Evans, Maurice: President

Begade Shotagotine
Mendo, Maurice

Behdzi Ahda' First Nation
Kochon, Richard: Chief

Berkley Petroleum Corporation
Walsh, Ann

Calvin D. Helin Personal Law Corporation
Helin, Calvin D.: Lawyer

Canadian Aboriginal Mining Association
Mathews, Hans: President
McGregor, Larry: Environmental Officer

Canadian Arctic Resources Committee
Keith, Robbie: Executive Director (now retired) (NRTEE Aboriginal Task Force Member)
O'Reilly, Kevin: Research Director

Canadian Association of Oilwell Drilling Contractors
Herring, Don: Managing Director

Canadian Association of Petroleum Producers
Alvarez, Pierre President
Manning, David: President (now past)
Nepinak, Michael: Manager, Aboriginal Affairs
Piere, Chris: Vice-President, Strategic Planning

Canadian Council for Human Resources in the Environment Industry
Trump, Grant S.: Executive Director & CEO

Canadian Energy Pipeline Association
Stowkoy, Bonnie: Manager, Environment & Transportation

Canadian Energy Research Institute
Coad, Leonard: Vice-President, North American Natural Gas & Electricity
Tanner, Jim: Research Associate, Environment-Energy

Canadian Environmental Assessment Agency
Arseneau, Jean: Director, Policy Analysis (now with Industry Canada)
Saunders, Kurt: (formerly) Policy Analysis Directorate
Sherhols, Peter: Director, Policy Analysis

Canadian Institute for Resources Law
Donihee, John: Research Associate
Kennett, Steve: Research Associate

Canadian International Development Agency
Breault, Guy: Senior Policy Analyst, Policy Coordination/YDC Division
Croal, Peter: Senior Environment Specialist, Environmental Assessment & Compliance Unit

Canadian Nature Federation
MacNamee, Kevin: Director, Wetlands Program

Chevron Canada Resources
Lehr, Lynn: Senior Landman, Western Canada Business Unit (NRTEE Aboriginal Task Force Member)

COMINCO Ltd.
Parker, David: Manager, Regulatory & Public Affairs

Compass Consulting
Ker, Alexandra: Consultant

Congress of Aboriginal Peoples
Palmater, Frank: Vice-President

Dechi Laot'i Council
Judas, Joseph: Chief

Deh Cho Tribal Council
Nadli, Mike Regional Vice-Chief

Deline First Nation
Bayha, Danny

Denendeh Development Corporation
Bekale, John: President

Dene Nation — Denendeh National Office
Armstrong, Allison: Environment Coordinator
Bailey Hopf, Greg Youth and Recreation Programs Coordinator
Erasmus, Bill: National Chief

Denendeh Youth Committee Members
Akaitcho Representatives
Beaver, Regan: Fort Smith
Guild, Travis: Fort Resolution
Marlowe, Veronica: Lut'sel'ke
Deh Cho Representatives
Ekanalie, Hanna: Trout Lake
Jumbo, Caroline: Trout Lake
Jumbo, Rebecca: Trout Lake
Dogrib Representatives
Football, Adeline: Snare Lake
Lamoule, Jasper: Rae
Rabesca, Charlene: Rae
Gwichin Representatives
Gardlund, Inga Aklavik
McLeod, Kristine: Inuvik
Pascal, Jackie: Fort MacPherson
Sahtu Representatives
Edgi, Audrey: Fort Good Hope
Pierrot, Judith: Fort Good Hope
Pierrot, Verna: Fort Good Hope

Deninu K-ue First Nation
Boucher, Maurice

Department of Foreign Affairs & International Trade
Brennan, Patrick: Policy Analyst, Aboriginal & Circumpolar Affairs
Lord, Wayne: Director, Aboriginal & Circumpolar Affairs

Department of Indian Affairs & Northern Development
Arcand, George: Associate Regional Director General, Alberta Region
Atiomo, Emmanuel: Resource Management Advisor
Bannon, Peter: (formerly) Director, Policy & Planning, NT Region
Beaubier, Hiram: Director General, Natural Resources & Environment
Becker, Brenda: Land Specialist Claims Negotiations, NT Region
Brant, Dan: (formerly) Senior Policy Advisor, Aboriginal Affairs
Decary, Michel: Executive Assistant, Minister of DIAND
Fortier, Mimi: Director, Northern Oil & Gas Directorate
Greenall, Wayne: Benefits Advisor, Northern Oil & Gas
Hearn, Kate: Director, Mineral Resources Directorate, NT Region
Hume, Valerie: Policy Coordinator, Sustainable Development, Resource Planning & Conservation
Livingstone, David: Director, Renewable Resources & Environment Directorate, NT Region
Matthews, Lorne: Mineral Development Advisor, NT Region
McIvor, Elaine: Environmental Scientist, Environment and Conservation, NT Region
McKinstry, Paul: Special Assistant (Northern Affairs), Minister's Office
Moore, James R: Assistant Deputy Minister, Northern Affairs (NRTEE Aboriginal Task Force Member)
Murphy, Dan: A/Director, Lands Trusts Services
Paget, Doug: Chief, Special Projects, Mineral Resources Directorate
Relf, Carolyn: Chief Geologist, NWT Geology Division, Co-Manager, C.S. Lord Northern Geoscience Centre
Robb, Malcolm: Manager, Mineral Development, NT Region
Sacha, Fred: Director, Economic Development & Aboriginal Procurement
Seale, Lorraine: Environmental Management Scientist (Diavik), NT Region
Serafini, Shirley: Deputy Minister
Whitby, Leslie: Director, Environment & Renewable Resources Directorate (alternate — NRTEE Aboriginal Task Force Member)
Williams, Cynthia: Assistant Deputy Minister, Socio-Economic Policy & Program Redesign

Diavik Diamond Mines Inc.
Leblanc, Pierre Project Executive (NRTEE Aboriginal Task Force Member)

Prest, Stephen: President
Willy, Doug: Past Vice-President, Community & Government Affairs (formerly NRTEE Aboriginal Task Force Member)

Dogrib Treaty 11 Council
Blondin, Ted: Land Claims Negotiator (NRTEE Aboriginal Task Force Member)
Camsell-Blondin, Violet: Financial Controller (alternate — NRTEE Aboriginal Task Force Member)
Rabesca, Joe: Grand Chief

Dominion Energy Canada
Crowe, Carole: Advisor, Aboriginal & Community Affairs

Ecology North
O'Brien, Chris: Researcher

Ekati™ Diamond Mine
Dawe, Anne Marie: Training Coordinator
Excell, Jim: President (NRTEE Aboriginal Task Force Member)
Hanks, Chris: Environmental Specialist
Williams, W. Scott: Manager, Environment, Resource & Planning

Elizabeth Mackenzie Elementary School
Matthews, Dave: (formerly) Principal

Enbridge Pipelines Inc.
Byrne, Bill: Manager, Northern Region
Milne, Greg Manager, Safety & Environment
Royer, Lorraine: Manager, Government Relations

Environment Canada
Coleman, Tim: Director, Northern Corporate Affairs, Regional Office
Ogilvie, Cary: Environmental Assessment Coordinator, Regional Office
Shea, Elizabeth: Senior Policy Analyst
Simon, Linda: Director, Aboriginal Affairs
Wilson, Peigi: (formerly) Senior Policy Analyst, Aboriginal Affairs

Ernie McDonald Land Corporation
Lennie, Winter: President

Finance Canada
Arabackyj, Stephane: Economist
McCuaig-Johnston, Margaret: General Director, Economic Development & Corporate Finance
Potter, Mark: Chief, Resources, Energy & Environment
Prye, Valerie: Policy Analyst, Aboriginal Policy
Toms, Bill: Senior Chief, Resource Taxation

Fort Fitzgerald Band
Brwall, Howard

Fort Good Hope Metis Nation Local 54 Land Corporation
McNeely, Winston: President

Fort McPherson Metis Local 58
Firth, Ernest: President

Fort Providence Metis Local 57
Lafferty, Jr., Richard: Board Member

Fort Simpson Metis Local 52
Rodh, Albertine: A/President

Franklin Geosciences
Franklin, James: Consulting Geologist

Government of the Northwest Territories
Bailey, Robert: Assistant Deputy Minister, Operations, Resources, Wildlife and Economic Development (RWED)
Emmett, Katherine: Director, Policy, RWED
Handley, Joe: Minister of Finance
Kakfwi, Stephen: Premier & Minister of RWED
Kube, Phil: Senior Financial Advisor, Finance
Latrides, Gloria: Coordinator, Literacy, Adult Basic Education; Education, Culture and Employment.
Lawrance, James: Special Advisor, Aboriginal Relations
Matthews, Doug: Director, Minerals, Oil & Gas
McLeod, Bob: Deputy Minister, RWED
Paquin, Emery: Director, Environmental Protection Service, RWED
Parker, Chuck: Coordinator, Mackenzie Valley Development Project, RWED
Sperling, Gabriela: Assistant Deputy Minister, Intergovernmental Affairs, Department of the Executive (NRTEE Aboriginal Task Force Member)
Stroeder, Celina: Regional Superintendent, RWED

Government of Nunavut
McMullen, Jane: Community Minerals Advisor, Department of Sustainable Development

Gulf Heavy Oil
Bachynski, Terry: Manager, Land (now with Canadian Forest Oil Ltd.)

Gwich'in Tribal Council
Ross, Peter
Snowshoe, Norman

Hay River Dene Reserve
Cardinal, Douglas
Lamalice, Shirley

Health Canada
Jones, Catherine: Program Issues Officer, Medical Services Branch
Lennon, Keith: Consultant, Year 2000 Project

House of Commons
Blondin-Andrew, Ethel: Secretary of State (Children & Youth)
Thorne, Jackie: Executive Assistant

Human Resources Development Canada
Moore, Jeff: Director General, Aboriginal Affairs
Oliver, Reine: Program Officer, Aboriginal Relations

Imperial Oil Resources
Anderson, D.J. (Don): Area Manager, Norman Wells Operations
Steinhauer, Roy: Aboriginal Affairs Manager, Projects & Technical Services

Indian Resource Council
Fox, Roy: President

International Council on Metals & the Environment
Nash, Gary: Secretary-General

Inuit Circumpolar Conference
Fenge, Terry: Director of Research

Inuit Tapirisat of Canada
Braidek, Alan: Executive Director
Loring, Eric: Researcher
Rujas, Aluk: Executive Assistant

Inuvik Metis Local 62
McNeil, Bernie: President

Inuvik Native Band
Greenland, Barry

J.A. Pirie & Associates Inc.
Pirie, James: Principal

Jacques Whitford Environment Limited
Griffiths, Angela: Senior Environmental Analyst

Jean Marie River Band
Sanguez, Stanley

Ka'a'gee Tu First Nation
Chicot, Lloyd Chief

Liidli Koe First Nation
Antoine, Jonas
Cli, Rita: Chief

Lutra Associates Ltd.
Little, Lois: Consultant, Principal Partner

Lutselk'e Dene Band
Catholique, Florence: Wildlife, Lands & Environment Committee
Lockhart, Felix: Regional Vice-Chief — Akaitcho Territory & Chief, Lutselk'e Dene First Nation
Parlee, Brenda: Researcher

Mackenzie Valley Environmental Impact Review Board
Klein, Heidi: Executive Director

Metis National Council
Ives, Peter: Executive Assistant

Mining Association of Canada
Gratton, Pierre Vice-President, Public Affairs & Communications
Peeling, Gordon: President & CEO

Mining Watch Canada
Kneen, Jamie: Campaign Coordinator
Kuyek, Joan: National Coordinator

Monopros Limited
Joye, Joe: President & CEO
McKinlay, Todd: Divisional Manager — West

Nahanni Butte Band
Marcellais, Peter: Chief

National Energy Board
Stewart, John: Environmental Advisor, WEI/TMPL/BC-ALTA

Natural Resources Canada
Burns, Martin: Policy Advisor
Cameron, Ric: Assistant Deputy Minister, Energy Sector
Campbell, Jim: Director, Economic & Fiscal Analysis, Energy Sector
Clark, Al: Director, Frontier Lands Management
Clausen, Scott: Sustainable Development Policy Integration
Johnstone, Rob: Minerals & Metals Policy, Sustainable Development Policy Integration
Lucas, Stephen: A/Senior Director, Strategic Policy and Regional Initiatives
Pearson, Mark: Director, Sustainable Development & Environment Division
Seekings, Dan: Policy Advisor, Office of the Minister
Smith, Duncan R: Advisor, Hydrocarbon Resources, Frontier Lands Management
Thompson, Julie: Minerals & Metals Policy, Sustainable Development Policy Integration

North Slave Metis Alliance
Camsell, Ernie: Elder, Rae Edzo
Dowdall, Robert (Bob): Executive Director
Paul, Clem: President
Stevenson, Mark: Professor, University of Alberta, and Advisor to Metis Alliance
Turner, Bob: Manager, Lands & Resources

Northern Canada Consulting
Funston, Bernie: Consultant

Northwest Territories Development Corporation
Koe, Fred: President & CEO

Nunavut Environmental Impact Review Board
Pokok Aknavigak, Larry: Chairperson (NRTEE Aboriginal Task Force Member)

NWT Chamber of Mines
Vaydik, Mike: General Manager

NWT Community Mobilization Partnership
Brown, Barb: Executive Advisor
Van Tighem, Gordon: Executive Director

Pehdzeh Ki Dene Band
Moses, Albert

Peter Eglington Associates Ltd.
Eglington, Peter: Principal

Petroleum Services Association of Canada
Soucy, Roger: President

Prime Minister's Office
Loveys, Marjory: Senior Advisor, Economic Development, Policy & Research

Privy Council of Canada
Caron, Fred: Assistant Deputy Minister, Aboriginal Affairs
Stagg, Jack: Assistant Deputy Minister, Economic & Regional Development
Thompson, Paul: Policy Officer, Economic & Regional Development
Vincent, Pierre: Policy Officer, Aboriginal Affairs

Prospectors and Developers Association of Canada
Andrews, Tony: Executive Director

Queen's University
Doggett, Michael: Director of Mineral Exploration Program, Department of Geological Sciences

Rae Edzo Community Metis Representative
Douglas, Sholto

Rae Lakes Dogrib Band
Wetrade, Archie: Chief

Salt River First Nation
Beaver, Raymond

South Slave Metis Tribal Council
Heron, Tim

Suncor Energy
Allan, Randi: Manager, Stakeholder Relations
Byl, Margaret: Manager, Heavy Oil Development

Syncrude Canada Limited
Loader, Robert: Manager, Emergency Response & Site Services

Telit Gwich'in Council
Firth, William George

Trout Lake Band
Deneron, Dennis: Chief

Tssigehtchic Metis Local 63
Clark, Mavis: President

West Kitikmeot/Slave Study
McCullum, John: Study Director

West Point First Nation
Cayen, Wendy
Thomas, Karen: Chief

World Wildlife Fund
Carpenter, Bill: Regional Director, Arctic Program (NRTEE Aboriginal Task Force Member)
Hummel, Monte: President
Iacobelli, Tony: Senior Manager, Landscape Conservation & Planning, Arctic & North American Programs (alternate — NRTEE Aboriginal Task Force Member)

Yellowknives Dene First Nation (Dettah)
Crapeau, Rachel
Edjericon, Richard: Chief

Yellowknives Dene First Nation (Ndilo)
Liske, Peter: Chief

Yukon Government
Trudeau, Harley: A/ADM, Intergovernmental Affairs, Executive Council Office (NRTEE Aboriginal Task Force Member)

Appendix B

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The NRTEE extends its appreciation to all who assisted with the Aboriginal Communities and Non-renewable Resource Development Program, especially Steve Kennett, Research Associate, Canadian Institute of Resources Law, who consolidated all the work undertaken by the Task Force over the past two years in order to draft the present *State of the Debate* report.

Appendix C

Important Complementary Initiatives

The NRTEE's Aboriginal Communities and Non-renewable Resource Development Program has used a multi-stakeholder process, extensive consultations and commissioned research to develop recommendations that are directed to the public, private and non-governmental sectors. It is hoped that the NRTEE's program will complement the other studies, intergovernmental processes and policy initiatives that have examined, or are currently examining, issues related to non-renewable resources and Aboriginal communities in the NWT and throughout northern Canada. Several examples of these complementary initiatives are outlined below.

Intergovernmental Forum

The Intergovernmental Forum brings together the federal, territorial and Aboriginal governments to discuss issues that are territorial in scope. At the first Intergovernmental Forum meeting held in Hay River 5 May 2000, leaders agreed to work together on pipeline developments, devolution and capacity building for Aboriginal governments leading up to the intergovernmental meeting in the fall. This unique government-to-government-to-government approach will provide a process for ongoing dialogue among the parties on such key issues as devolution of control over northern resources and other shared concerns. The GNWT is committing full-time staff to this process as well as providing financial support to ensure Aboriginal government participation in the Forum. Several of the NRTEE's recommendations are directed specifically to the Intergovernmental Forum or are intended to inform its work.

Towards A Better Tomorrow: A Non-renewable Resource Strategy for the Northwest Territories

The report entitled *Towards a Better Tomorrow: A Non-renewable Resource Development Strategy for the Northwest Territories* outlines the investments that are required to create a favourable environment for resource development in the North, to manage development effectively and to ensure that northern residents obtain maximum benefits. It emphasizes the need for all key players with an interest in non-renewable resource development to work together. The detailed strategy has been presented to the federal ministers of Indian Affairs and Northern Development and Finance, to Aboriginal organizations through the Intergovernmental Forum and to representatives from industry. The strategy proposes an investment level of $340 million over the next four years, with $100 million to be provided by the GNWT. In a number of important areas, the NRTEE reached conclusions and developed recommendations that are consistent with the policy directions proposed in the GNWT's Non-renewable Resource Strategy.

Economic Strategy Panel

The previous NWT Minister of Resources, Wildlife and Economic Development, Stephen Kakfwi, initiated the Economic Strategy Panel in January 1999 to examine the opportunities and challenges faced by the NWT. The Panel represented a cross-section of Northwest Territories interests and was led by Richard Nerysoo, Gwich'in Development Corporation, and Daryl Beaulieu, Dehton Cho Corporation. The diverse interests represented on the panel ensured a broad and informed view of what needs to be done to stimulate development and improve the circumstances of NWT residents. A set of comprehensive recommendations, detailing how the GNWT might focus its economic development efforts, is presented in a report entitled, "Common Ground: NWT Economic Strategy 2000." The report was tabled during the third session of the 14th Legislative Assembly of the NWT, held 20 June 2000. Sections of the report that address capacity building, the land and environment, and non-renewable resources are particularly relevant to the NRTEE's focus.

Joint Aboriginal-Industry Resource Development Program

The Steering Committee of the Joint Aboriginal-Industry Resource Development Workshop created an implementation program "to develop the mining/oil/gas industry in NWT and Nunavut." This program is described in the report entitled *Gathering Our Strengths: A New Way of Developing Northern Resources* (June 1999). The key program priorities include measures to increase Aboriginal corporate capacity, facilitate infrastructure projects, accelerate geoscience activities, assist industry/ labour transportation, and provide leadership in developing training and education initiatives for the mining/oil/gas industry. The report proposes an independent program delivery structure, a specific budget and an implementation plan. The NRTEE's recommendations also address needs in several of these areas.

DIAND's Sustainable Development Strategy

The Department of Indian Affairs and Northern Development released *Toward Sustainable Development* in 1997. The principal themes of the strategy include continued devolution of programs to First Nations and the territories, implementation of the inherent right to self-government, and social and economic improvements in the communities of Aboriginal people and other northerners. The section dealing with DIAND's role in northern Canada discusses key issues relating to environmental threats, resource development and the economy, emerging institutions of public government, capacity, scientific and traditional knowledge, and consultation and partnerships. It then identifies the following six goals: 1) to strengthen communities by facilitating capacity building; 2) to facilitate and maintain effective partnerships; 3) to integrate sustainable development into departmental and interdepartmental decision making; 4) to maintain and support healthy environments; 5) to develop and maintain sound natural resource management regimes and 6) to meet the Department's international obligations in support of sustainable development. Specific objectives, targets and actions are then identified. DIAND's broad goals and many of the specific initiatives set out in *Toward Sustainable Development* are consistent with the NRTEE's recommendations presented in the main body of this report.

Gathering Strength — Canada's Aboriginal Action Plan

The Government of Canada's response to the Royal Commission on Aboriginal People was issued in 1998. *Gathering Strength — Canada's Aboriginal Action Plan* presents a long-term, broad-based policy approach designed to increase the quality of life for Aboriginal people and to promote self-sufficiency. A commitment to address the needs of communities by building a real partnership with Aboriginal people lies at the heart of the government's action plan. The four main objectives are: 1) renewing the partnerships; 2) strengthening Aboriginal governance; 3) developing a new fiscal relationship and 4) supporting strong communities, people and economies. *Gathering Strength* addresses several matters directly relevant to the NRTEE's focus on Aboriginal communities and non-renewable resource development. In relation to capacity building, it emphasizes the need for increased professional development of Aboriginal people in land, environment and resource management. The Aboriginal Human Resources Development Strategy is also introduced. Access to debt and equity capital is recognized as a major issue for Aboriginal businesses and community development. Increased access to lands and resources is to be promoted by initiatives to strengthen co-management processes, accelerate Aboriginal participation in resource-based development, and improve the benefits that communities receive from this development. In a section dealing particularly with the "Northern Agenda," *Gathering Strength* identifies the need "to ensure that Aboriginal people and communities share in the wealth and benefits expected to flow from major resource development in the NWT."

The Northern Dimension of Canada's Foreign Policy

The Department of Foreign Affairs and International Trade issued *The Northern Dimension of Canada's Foreign Policy* in June 2000. This policy is based on a commitment to Canadian leadership on northern issues; partnerships within and beyond government; and ongoing dialogue with Canadians, especially northerners. Two of the key objectives are "to enhance the security and prosperity of Canadians, especially northerners and Aboriginal people" and "to promote the human security of northerners and the sustainable development of the Arctic. A major thrust of the policy concerns trans-boundary and circumpolar issues. The policy is, however, strongly rooted in Canada's "experience in developing northern institutions, community building, and working with Aboriginal people and other northerners," notably the innovative approaches to governance and natural resource management that have emerged in Canada's North. The policy's objective of strengthening the Arctic Council, for example, reflects "an identified need for capacity building within Arctic communities; and a search for means to ensure sustainable economic growth in the circumpolar world as traditional economies wane, while maintaining a focus on environmental protection." The policy also notes that "an important focus of Canada's northern foreign policy is to promote both the analysis and the development of management/monitoring/ enforcement regimes." These objectives correspond closely with a number of the priorities identified by the NRTEE's Aboriginal Communities and Non-renewable Resource Development Program.

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